Canadian Pacific Enterprises Limited

ANNUAL REPORT

1981

Summarized Statement of Net Income

(in millions)	*1981*	*1980*	*Increase or (Decrease)*
Oil and Gas	**$ 177.4**	$ 210.2	$ (32.8)
Mines and Minerals	**37.7**	98.6	(60.9)
Forest Products	**16.2**	45.6	(29.4)
Iron and Steel	**93.6**	61.2	32.4
Real Estate	**24.0**	21.0	3.0
Agriproducts	**19.9**	9.7	10.2
Other Businesses	**16.9**	11.8	5.1
Financial	**18.9**	33.2	(14.3)
Net income	**$ 404.6**	$ 491.3	$ (86.7)
Per common share:			
Net income	**$ 2.87**	$ 3.63	$ (0.76)
Dividends	**1.12**	1.005	0.115

The Annual Meeting of Shareholders will be held in the Palliser Hotel, Calgary, Alberta, on Thursday, April 29, 1982 at 10:00 a.m. (Calgary time).

Legal Deposit
1st quarter 1982

The Corporation's consolidated net income amounted to $404.6 million in 1981. Compared with 1980, earnings were down $86.7 million, or nearly 18%. Earnings per common share amounted to $2.87, compared with $3.63 in 1980.

The weighted average number of common shares outstanding rose to 141 million from 135 million in 1980, due principally to the sale during 1980 of two new issues of common stock totalling 7.7 million shares. In addition, a total of 918,000 shares was issued under the Shareholder Dividend Reinvestment and Share Purchase Plan instituted in April 1980.

Net income of the Corporation excluding the equity in earnings retained by subsidiaries amounted to $197.7 million, or $1.40 per common share. This compared with $195.5 million, or $1.44 per share, in 1980. From these earnings dividends of $1.12 per share were declared in 1981, up from $1.005 in 1980.

The year 1981 was a difficult one for business generally. The ongoing problems of inflation and high interest rates were aggravated by the emergence of a severe recession, which came after a short period of recovery from the previous downturn. There were, however, exceptions to the generally disappointing performance of the economy, and because of the broad range of its activities the Corporation was able to benefit from certain favourable conditions.

Earnings from Iron and Steel showed substantial growth during the year. Income from that sector rose $32.4 million, reflecting higher steel selling prices, increased sales volume and an improved product mix. Other sectors showing increases over 1980 were Agriproducts, Real Estate and Other Businesses. Income from Agriproducts was up $10.2 million due not only to the acquisition of Maple Leaf Mills Limited in July 1980 but also to further acquisitions by Maple Leaf itself in 1981. The increase of $3.0 million in income from Real Estate reflected greater returns from all classes of buildings, particularly office buildings as several new properties became operational in 1981. Income from Other Businesses rose $5.1 million due to continued improvement in the performance of CP Hotels, which reflected the benefits of higher hotel room rates and food prices.

There were decreases in earnings from the other sectors. Income from Mines and Minerals declined $60.9 million due chiefly to lower prices for silver, lead and gold and reduced sales volumes of silver, gold, refined lead and electric power, partially offset by improved zinc prices. The decrease of $32.8 million in income from Oil and Gas reflected mainly the impact of the Petroleum and Gas Revenue Tax, which became effective January 1, 1981, and higher costs of operations. Earnings from Forest Products declined $29.4 million, the result primarily of losses from CIP Inc., reflecting soft markets and high interest costs, and from Pacific Forest Products due to weak markets for logs and lumber. The Financial sector showed a decrease of $14.3 million because of the heavier loss incurred by Chateau Insurance Company and the net gain in 1980 of $13 million from the sale of the Corporation's interest in MacMillan Bloedel Limited.

Forecasts of the probable course of the Canadian and U.S. economies in 1982 generally indicate a recovery from the recession but not until the latter part of the year. In view of this, it will be difficult for major sectors of the Corporation to reach the same level of earnings as in 1981. If, however, the recovery came sooner and proved to be stronger than anticipated, the Corporation would be in an excellent position to take advantage of the opportunities that such a situation would present.

While the Corporation's immediate concern is to achieve the highest level of earnings possible under prevailing economic conditions, it is equally concerned with strengthening its future earning capability. Efforts to do so are under way in major sectors.

PanCanadian's land holdings in Western Canada provide a favourable position for new oil and gas discoveries. PanCanadian is also continuing exploration in the Arctic Islands through its investment in Panarctic Oils Ltd. and is heading up an all-Canadian group to explore offshore Newfoundland and Labrador. Exploration and development activities continued in the U.S. and an oil discovery was made in the U.K. sector of the North Sea. In November 1981, PanCanadian entered the petrochemical business by

purchasing a 35% interest in a world-scale methanol plant under construction near Edmonton, Alberta. The cost to PanCanadian is estimated at $130 million, of which $93.5 million was paid in 1981.

Start-up of Cominco's Polaris mine in the Canadian High Arctic, the most northerly base metals mine in the world, is scheduled for early 1982. During 1981 Cominco purchased additional shares of Bethlehem Copper Corporation which brought its ownership to 100%, compared with 64% at the end of 1980.

Cominco continued with the modernization and expansion of its metallurgical plants at Trail, B.C., and with the modernization of its Sullivan mine at Kimberley, B.C. The world's first plant to separate sulphur and zinc by chemical methods – to facilitate the production of refined zinc – has been built at the Trail smelting operations.

Fording has signed a ten-year agreement with China Steel Corporation of Taiwan to supply 350,000 tonnes per year of high volatile coking coal. Shipments under the contract, valued at over $230 million, will begin in April 1982. Fording has completed its program to increase production capacity at its mine from three to four and a quarter million tons per year.

During 1981 Fording reached a joint venture agreement with Edmonton Power whereby Fording will mine and supply coal to a new coal fired electric power generating plant at Genesee, Alberta. The new plant, to consume three million tonnes of coal annually, is scheduled to begin operating in 1985. This development will firmly establish Fording in the mining of Alberta thermal coal.

On October 1, 1981, the Corporation announced completion of the acquisition of all outstanding shares of Canadian International Paper Company at a price of Canadian $1.1 billion. Canadian International Paper is continuing under the new corporate name of CIP Inc. CIP is an integrated and diversified manufacturer and marketer of pulp, paperboard, packaging, specialty paper products and wood products. With over 12,000 employees, seven primary mills, twelve converting plants and some 17,400 square miles of timberlands under its management, CIP is one of the largest pulp and paper operations in Canada.

Great Lakes progressed with the program to convert its Dryden operations into a highly efficient, modern forest products complex. The new bleached kraft pulp mill, with a capacity of 225,000 tonnes per year, will be completed in 1982. By mid-1983, installation of a new fine paper machine in replacement of three existing machines will double capacity to produce fine, envelope and specialty paper. A new stud lumber mill is also planned. Newsprint operations at Thunder Bay are being upgraded and energy conservation measures implemented. In addition, environmental improvements are being made at both Thunder Bay and Dryden.

Since May 1981, Algoma Steel has been producing the first heat treated plate available directly from a Canadian steel mill. The addition of the heat treat facility expands Algoma's product range and enables it to compete in virtually all areas of the plate market. The new hot metal desulphurizing plant has increased ironmaking capacity and improved the quality of rolled steel products. Construction of the new seamless tube mill is proceeding as scheduled.

Marathon Realty completed construction of an office building in suburban Toronto, an office centre near San Francisco with a joint venture partner, a shopping centre in Ottawa, and five industrial and commercial properties. Projects under construction include PanCanadian Plaza in Calgary, other office buildings in Toronto and in Atlanta, Georgia, and expansion of shopping centres in Quebec and British Columbia. Sites were acquired during the year for future office development in Vancouver, Houston, San Francisco and Seattle.

Maple Leaf Mills acquired Gordon Young Limited, a rendering business, Laurentian Food Products Limited, a manufacturer of edible fats, oils and shortenings, and Stillmeadow Farms Limited, a processor of poultry products.

At the Annual Meeting scheduled for April 29, 1982, shareholders will be asked to approve the move of Enterprises' registered and corporate head office from Montreal to Calgary. A significant portion of the Corporation's assets is located in the West. The move will place Enterprises' management in close proximity to the major development programs which are planned to occur in Western Canada in future years.

The Directors gratefully acknowledge the important contribution to the Corporation's achievements made by officers and employees throughout the organization. The present difficult times call for even greater effort and the Directors are confident that it will be forthcoming.

Montreal,
March 5, 1982

For the
Directors,

Robert W. Campbell
Vice-Chairman

Chairman and
Chief Executive
Officer

The Corporation's consolidated assets increased over the past three years from $5.7 billion at the end of 1978 to $11.2 billion at year-end 1981. Working capital rose $727 million in that period, and the net investment in properties grew by $3.7 billion. The increases were financed partially out of funds from operations which amounted to $1.1 billion in 1979, and $1.2 billion in each of 1980 and 1981. Over the three-year period Enterprises raised $399 million through the issuance of new common stock for cash and the subsidiaries issued an additional $318 million of equity, of which $143 million was taken up by the Corporation. Consolidated long term debt increased from $1.5 billion at year-end 1978 to $3.3 billion at the end of 1981. Interest coverage on total long term debt was 7.6 times in 1979, 7.7 times in 1980 and 4.9 times in 1981.

On October 1, 1981, Enterprises acquired all outstanding shares of Canadian International Paper Company, now known as CIP Inc., at a price of Canadian $1.1 billion. To finance the acquisition, borrowings amounting to $850 million were arranged through term loans provided by banks, the balance of $250 million being provided by equity.

In December 1981, PanCanadian acquired a 35% interest in a methanol plant under construction near Edmonton. Of the estimated total cost to PanCanadian of $130 million, $93.5 million was paid in 1981. Financing was provided by term bank borrowings. PanCanadian also completed a seven year 16½% debenture issue of Canadian $65 million in the European market.

In 1981, Cominco purchased additional shares of Bethlehem Copper Corporation and of Valley Copper Mines Limited (N.P.L.) to raise its interest in each to 100%; the total cost was $133 million. Expenditures on development of the Polaris mine and constructing and equipping the concentrator amounted to $93 million. These and other investments, as well as funds for expansion and modernization programs, were financed in part by increases in long term bank loans aggregating $238 million. In addition, Cominco raised $99 million through a common stock rights issue.

AMCA International arranged loans totalling $262 million, of which $188 million was drawn down during the year. Proceeds were used to finance working capital and fixed assets, as well as to augment cash in order to take advantage of investment opportunities as they arise. Marathon Realty arranged loans aggregating $194 million to finance new developments and to retire construction loans.

Commitments of operating subsidiaries at the end of 1981 for capital expenditures totalled $988 million. These cover projects in almost every major sector.

They include Cominco's ongoing modernization and expansion at its Trail metallurgical plants and modernization of the Sullivan mine in British Columbia, and a program to increase capacity of its potash facilities in Saskatchewan. These projects are to be financed from internally generated cash flow and bank loans.

A subsidiary of CIP Inc. is continuing the modernization and expansion of its Dalhousie, N.B. newsprint facilities. The total cost is expected to be some $160 million. Arrangements are currently being made with banks to obtain the necessary funds.

Great Lakes Forest Products is approaching the mid-point of its modernization and expansion program at its Thunder Bay and Dryden, Ontario operations. As at December 31, 1981 the estimated cost to complete the program was $225 million. Internally generated funds and the company's lines of credit are expected to cover the cost.

Algoma Steel's capital program is directed mainly toward new or replacement plant and equipment, and expansion of existing product lines. In 1981 the steel company began construction of a new seamless tube mill expected to be in production in 1984. The total estimated cost is $300 million, of which $210 million remained to be spent at year-end 1981. The remaining cost will be financed mainly by construction loans convertible into term loans. Algoma recently filed an updated preliminary prospectus for a long term sinking fund debenture issue; proceeds would be used for general corporate purposes including its ongoing capital program.

At the end of 1981 Marathon Realty's capital expenditure commitments for office buildings, shopping centres and industrial parks under construction totalled $103 million. Long term mortgage commitments and short term and medium term loans are expected to provide most of the financing for these projects.

Debt financing for the Enterprises companies is arranged not only with outside financial institutions, but also through Canadian Pacific Securities Limited, a wholly-owned subsidiary of Enterprises, which raises monies by way of bank loans, short term promissory notes and medium and long term borrowings.

At the end of 1981 total unused commitments for long term financing amounted to $1,557 million, at interest rates ranging from prime to prime plus 1¼%, with commitment fees on $1,276 million ranging from ¼% to ¾%. Unused lines of credit for short term financing, subject to customary reviews at any time, amounted to $749 million.

Oil and Gas

Net income from PanCanadian Petroleum Limited, in which the Corporation has an 87.1% interest, amounted to $177.4 million in 1981. This compared with income of $210.2 million in 1980 and $144.4 million in 1979. The decrease in 1981 compared with 1980 reflected significant tax changes, including the 8% Petroleum and Gas Revenue Tax, and higher costs of operations.

Total revenues reported by PanCanadian were $642 million in 1981, $575 million in 1980 and $424 million in 1979. The increase in 1981 was mainly attributable to higher prices for crude oil and other products. The higher prices for oil reflect the upward movement of Canadian oil prices toward international levels; natural gas prices increased only marginally. The revenue increase in 1980 reflected higher product prices as well as a full year of commercial oil production from the Syncrude tar sands plant.

Total expenses amounted to $438 million in 1981, up from $333 million in 1980 and $258 million in 1979. In 1981, the provision for income and revenue taxes increased $58 million, of which more than 60% represented the new 8% Petroleum and Gas Revenue Tax. The balance of the 1981 expense increase was attributable to general cost inflation. Higher expenses in 1980 reflected a full year of production from the Syncrude plant, cost inflation and the impact on income taxes of the 5% surcharge on corporate income imposed by the Federal Government.

Late in the year, energy pricing and taxation agreements covering the period September 1, 1981 to December 31, 1986 were concluded between the governments of Canada and the producing provinces. The agreements introduce a two-tier pricing system for conventional oil – one tier for "old" oil and another for "new". The reference price for old oil, defined as oil discovered prior to 1981, increased $2.50 per barrel on October 1, 1981 and $2.25 per barrel January 1, 1982 with further increases of $2.25 scheduled for July 1, 1982 and $4 semi-annually thereafter. Starting January 1, 1982 a reference price has been established for conventional new oil. New oil is defined as oil produced from discoveries made after December 31, 1980, from extensions of old oil pools and incremental production from approved enhanced recovery projects. These prices are subject to upper limits in that the average price of old oil is not to exceed 75% of international prices and that of new oil is not to exceed 100% of international prices, all based on a landed price in Montreal.

The agreements also provide for an increase from 8% to 16% in the rate of the Petroleum and Gas Revenue Tax and introduce a tax of 50% on the incremental revenues, after related provincial royalties and other levies, on conventional old oil over what would have been received under the National Energy Program. After giving effect to the resource allowance, the effective rate of tax may be reduced to 12% from 16%.

Processing natural gas in Alberta

PanCanadian Petroleum's Morley sour gas plant in the Rocky Mountain foothills west of Calgary processes natural gas and produces elemental sulphur.

Mines and Minerals

Mining zinc and lead in the Arctic

Cominco's Polaris zinc/lead mine on Little Cornwallis Island is the most northerly base metals mine in the world, just 900 miles from the North Pole.

Cominco Ltd.

The Corporation's share of Cominco's net income, representing its 54.4% interest, amounted to $35.6 million in 1981. This was a decrease of $50.8 million from 1980 and of $73.5 million from 1979.

Total revenues of Cominco in 1981 amounted to $1,464 million, compared with $1,481 million in 1980 and $1,310 million in 1979. Cominco's revenues reflect its 40% share of the results of Fording Coal. In addition, revenues in 1981 included a net gain of $5.6 million on the sale of Cominco's interest in a subsidiary company. The decrease in revenues in 1981 reflected chiefly reduced silver, lead and gold prices, and lower sales volumes of silver, gold, refined lead and electric power. Partially offsetting positive factors were higher selling prices and increased volumes of zinc, chemicals and fertilizers. In 1980 the revenue increase was due principally to higher prices for gold, silver, potash, chemicals and fertilizers, but lead prices were down almost 20%, and sales volumes of refined lead and lead concentrates were lower.

Late in 1981, demand for zinc softened and prices dropped in some markets, resulting in a temporary cut-back of zinc production at Trail towards the end of January 1982. Lead demand also weakened and prices dropped sharply. Prices remain low for gold, silver and copper. Although fertilizer prices in Canada continue at reasonable levels, some price weakness and inventory accumulation have occurred in U.S. markets.

Cominco's expenses were $1,380 million in 1981, up from $1,297 million in 1980 and $1,077 million in 1979. Production costs were higher in 1981, reflecting particularly increases in the costs of labour, energy and supplies, partially offset by lower raw material costs. Distribution costs were also up, and interest costs rose substantially. The latter was due not only to higher rates but also to the additional borrowings associated mainly with the acquisition of shares of Bethlehem Copper Corporation and Valley Copper Mines and expenditures for the modernization of the plants at Trail and Kimberley in British Columbia. The increase in total expenses in 1980 reflected for the most part higher costs of raw materials.

Fording Coal Limited

Fording Coal, owned 60% by Enterprises and 40% by Cominco, incurred a net loss of $2.2 million in 1981. This contrasted with net income of $14.7 million in 1980 and $14.2 million in 1979. In addition to its direct share of these results and its equity in Cominco's share, Enterprises received ownership payments from Fording of some $1 million in 1981 and approximately $2.5 million in each of 1980 and 1979. The reversal in Fording's results in 1981 was attributable to a lower yield of clean coal and higher operating costs which more than offset the benefits of improved selling prices and increased volume.

Fording's revenue totalled $247 million in 1981, up from $215 million in 1980 and $179 million in 1979. The additional revenues reflected increases of 5% in 1980 and of 8% in 1981 in the average selling price of coal, sales volume increases of 14% in 1980 and 6% in 1981, and higher royalty income from coal and potash mines operated by others. In 1982 the selling price of coal is expected to move up substantially.

Total expenses amounted to $249 million in 1981, compared with $200 million in 1980 and $165 million in 1979. The major component of the expense increases was higher salary and wage costs. Labour rates rose 8% in 1980 and a further 20% in 1981, while the number of employees increased 16% in 1980 and by another 18% in 1981. Larger sales volumes and higher transportation and port costs resulted in increased distribution costs.

Steep Rock Iron Mines Limited

Net income from Steep Rock, representing a 77.5% interest, amounted to $2.8 million in 1981, compared with $2.2 million in 1980 and $9.6 million in 1979.

Income in 1979 included gains on disposal of fixed assets following the termination of mining and pelletizing operations at Steep Rock's property in Atikokan, Ontario. In 1980 the company's income was derived principally from the short term investment of its funds. Its 1981 results reflected not only investment income but also the commencement of operations at the calcium carbonate property acquired at the end of 1980.

Forest Products

Harvesting trees in Quebec

A CIP shortwood harvester cuts trees in a stand of mixed forest on the upper Gatineau River near Maniwaki.

CIP Inc.

CIP Inc., acquired on October 1, 1981, is an integrated and diversified manufacturer and marketer of pulp, paper, and wood products. Its timberlands are located in Quebec and New Brunswick. Its operations include newsprint mills in Quebec and New Brunswick, a pulp mill in Ontario, a pulp and paperboard mill and a corrugated paper mill in Quebec and the Dominion Cellulose – Facelle tissue mill in Toronto. In addition it owns packaging plants in Newfoundland, Quebec, Ontario, Saskatchewan and Alberta. CIP also has 50% interests in Tahsis Company Ltd., a Vancouver-based pulp producer, and in Masonite Canada Limited.

CIP incurred a loss of $19.7 million for the three-month period of 1981. The loss reflected principally soft markets for its products and high interest costs.

New labour contracts for CIP's millworkers will have to be negotiated in 1982.

Great Lakes Forest Products Limited

Net income from Great Lakes, which is owned 54.3% by Enterprises, amounted to $41.8 million in 1981. This compared with income of $43.9 million in 1980 and $26.8 million in 1979.

Total revenue of Great Lakes amounted to $578 million in 1981, $545 million in 1980 and $342 million in 1979. The increase in 1981 reflected mainly higher prices for all of the company's products and, to a lesser extent, the higher rate of exchange premium on the U.S. dollar. The positive effects of these factors on revenues were partially offset by slightly lower shipments of newsprint, due to a temporary shutdown of a newsprint machine for modernization, and of kraft pulp. Approximately 70% of the 1980 revenue increase was due to higher sales volumes, largely because of operation of the Dryden mills purchased in December 1979; the balance came from price increases, principally on pulp and newsprint.

Total expenses were $501 million in 1981, up from $465 million in 1980 and $293 million in 1979. Escalation of the costs of energy, supplies, transportation and labour was the principal reason for the expense increase in 1981. Of the 1980 increase, about three-quarters was attributable to the inclusion of the Dryden operation, and the balance to cost escalation.

New labour contracts affecting millworkers at Great Lakes will have to be negotiated in 1982.

Pacific Forest Products Limited

Pacific Forest Products incurred a net loss of $6.0 million in 1981. This contrasted with profits of $1.3 million in 1980 and $20.6 million in 1979. Included in earnings for 1980 was a net gain of $1.2 million on a sale of land; in 1979 there was a net gain of $3.3 million on the sale of an interest in a lumber company.

The progressive deterioration in results since 1979 reflects the deepening of a depression in markets for logs and lumber that began in 1980 and continuing rises in costs. In addition, in 1981 Pacific Forest's operations were interrupted by a six-week strike in the British Columbia forest industry.

Both demand for and prices of logs and lumber have been hard hit by the effects of high interest rates and widespread economic recession. Until those conditions change materially, results of Pacific Forest Products will remain depressed.

Iron and Steel

Harnessing tidal power in Nova Scotia

The largest turbine of its type in the world, built by AMCA International, will be part of a pilot plant under construction at Annapolis Royal for a Bay of Fundy tidal power project.

The Algoma Steel Corporation, Limited
Net income from Algoma Steel, owned 57.6% by Enterprises, rose to $87.7 million in 1981 from $55.3 million in 1980 and $54.4 million in 1979.

Total revenues reported by Algoma were $1,475 million in 1981, compared with $1,180 million in 1980 and $1,110 million in 1979. These revenues include the income from Algoma's 42.7% share of the earnings of AMCA International Limited. The revenue increase in 1981 was attributable mainly to higher steel selling prices, but also to increased sales volume and an improved product mix. Demand for steel products was strong in the first half of 1981 due to growth in the Canadian economy and build-up of customer inventories in anticipation of possible work stoppages during steel industry contract negotiations. Shipments remained relatively high during the second half of 1981 in spite of some softening in the Canadian market. Algoma's export levels were firm in the first half of the year but weakened towards year-end due to the recession in the U.S. economy and the impact of offshore steel entering North America at low prices. In 1980, the revenue increase was due to higher selling prices and a more favourable product mix; volume was lower than in the previous year.

Expenses totalled $1,310 million in 1981, up from $1,071 million in 1980 and $1,000 million in 1979. The increase in 1981, as in 1980, was due primarily to the effects of inflation on costs.

In 1982 it is expected that steel markets generally will be very competitive as a result of excess productive capacity. Although Algoma's performance in that environment will benefit from its product mix, results will ultimately depend on the extent of recovery in North American economies.

AMCA International Limited
In addition to its interest in Algoma's 42.7% share of the income of AMCA International, formerly Dominion Bridge Company, Limited, Enterprises has a 9.4% direct holding which contributed $5.9 million of income in 1981. This income was virtually the same as in 1980 and 1979, owing to the impact of unrealized exchange differences on translation of AMCA's accounts into Canadian dollars.

Revenues of AMCA rose to $1,915 million in 1981, from $1,274 million in 1980 and $1,137 million in 1979. The marked increase in 1981 reflected chiefly the inclusion for the full year of Koehring Company, acquired in September 1980. The revenue increase in 1980 resulted from the Koehring acquisition and normal price increases on continuing operations.

AMCA had total expenses of $1,852 million in 1981, compared with $1,211 million in 1980 and $1,080 million in 1979. The additional expenses in 1981 and 1980 reflected largely the Koehring acquisition, but also general cost increases.

Real Estate

Marathon Realty Company Limited achieved record earnings of $24.0 million in 1981, an increase of $3.0 million over 1980 and of $4.8 million over 1979.

Total revenue in 1981 was $227 million, compared with $194 million in 1980 and $130 million in 1979. Of the increase in 1981, about one-half was attributable to the real estate interests of Norin Corp. acquired in July 1980, approximately one-third was due to increased rentals from existing buildings, and the balance to new buildings that became operational in 1981 and to increased returns from property sales. Of the 1980 revenue increase, approximately two-thirds was due to the additions of Canadian Freehold Properties in December 1979 and the Norin real estate interests; the remainder was due to the initial contributions of new buildings, increased rentals from existing buildings and greater property sales.

Marathon's total expenses amounted to $203 million in 1981, $173 million in 1980 and $111 million in 1979. Some 45% of the increase in 1981 was attributable to existing buildings, new buildings and the Norin properties, and the balance of the increase resulted mainly from higher interest costs and increased income taxes. In 1980, the increase in expenses was due largely to the additions of Canadian Freehold and Norin properties.

Marathon expects to continue expanding its portfolio of income properties, provided general financial conditions stabilize and rentals continue to keep pace with rising costs.

Building places for people in British Columbia

People and planters and a 30-foot-high red cedar sculpture cast shadows across the plaza outside Marathon Realty's Granville Square office building in Vancouver.

Agriproducts

Maple Leaf Mills Limited
Income from Maple Leaf Mills amounted to $14.6 million in 1981, compared with $6.3 million in 1980. Maple Leaf's 1980 results above have been restated to include the earnings of Rothsay Concentrates Co. Limited, a rendering company formerly wholly-owned by Enterprises, which was amalgamated with Maple Leaf early in 1981. Maple Leaf also acquired Midland Simcoe Elevator Limited and the Port McNicoll grain elevator from Enterprises and Marathon Realty respectively.

Maple Leaf Mills was acquired in July 1980 with the purchase by Enterprises of Norin Corp. of Miami, Florida. Hence income in 1981 represents a full year's results, compared with only six months in 1980.

During 1981 Maple Leaf acquired Gordon Young Limited, a rendering business, Laurentian Food Products Limited, a manufacturer of edible fats, oils and shortenings, and Stillmeadow Farms Limited. These acquisitions contributed to Maple Leaf's earnings in 1981.

CanPac AgriProducts Limited
CanPac AgriProducts, based in the United States and engaged in rendering and fruit processing, earned $4.5 million in 1981, $3.2 million in 1980 and $4.3 million in 1979.

The increase in 1981 over 1980 reflected largely cost savings. The decrease in 1980 earnings was attributable to the embargo on tallow shipments to the Soviet Union and lower product prices.

Managing agricultural research in Ontario

Maple Leaf Mills' agricultural research centre at Georgetown develops new animal feeds and feeding programs, soybean and other seeds, and produces corn.

Other Businesses

Canadian Pacific Hotels Limited
CP Hotels had record net income of $12.1 million in 1981. This was an increase of $5.2 million over 1980 and $11.2 million over 1979. The increase in 1981 was due mainly to domestic operations and, internationally, to improved operating results of the Frankfurt Plaza Hotel in West Germany.

Total revenue amounted to $256 million in 1981, $232 million in 1980 and $211 million in 1979. Most of the increase in 1981 was attributable to higher room rates and increased food prices; volume of business was virtually unchanged from 1980. Of the revenue increase in 1980, approximately three-quarters arose from better room rates and higher food prices, and the balance from greater business volume.

Total expenses of $244 million in 1981 compared with $225 million in 1980 and $210 million in 1979. Inflation was primarily responsible for the increased expenses in both years.

During 1981, agreements were concluded for the operation of new hotels in Bremen, West Germany and in Eilat, Israel. These hotels, scheduled to open in 1983 and 1984 respectively, will complement the existing operations of CP Hotels in those countries.

As part of a program to realign operations, CP Hotels terminated its contracts to operate hotels in Winnipeg and Brandon, Manitoba during the year. The company continued major modernization programs at several of its city and resort hotels in Canada.

Syracuse China Corporation

Syracuse China, based in the United States, had net income of $3.2 million in 1981, up from $3.0 million in 1980 and $2.3 million in 1979. Higher selling prices for chinaware largely accounted for the increases over the period.

Processed Minerals Incorporated

Processed Minerals, based in the United States, produces and markets salt for a variety of uses, and mines, processes and markets wollastonite. It is also a supplier of cattle and dairy feed ingredients.

Net income amounted to $1.6 million in 1981, compared with $1.9 million in 1980, and $0.9 million in 1979. The decrease in 1981 was due mainly to increased costs associated with the mining and processing of wollastonite.

Financial

Chateau Insurance Company

Chateau Insurance, owned 99.98% by Enterprises, incurred losses of $10.3 million in 1981, $933,000 in 1980 and $1.1 million in 1979. Results paralleled closely industry experience which was the worst in the history of the business.

Chateau's premium and investment income increased during 1981 due in part to the acquisition of the general insurance business of Hartford Fire Insurance Co. in Quebec. However, the revenue increase was more than offset by unfavourable claims experience, particularly with personal lines of business, which are in the process of being phased out. In addition, severe competitive pressures in the field of commercial insurance prevented premiums from rising to adequate levels. During the year Chateau undertook a major reorganization designed to achieve improved operating results in future years.

Canadian Pacific Securities Limited

Earnings from Canadian Pacific Securities amounted to $1.7 million, compared with $1.2 million in each of 1980 and 1979. The increase in 1981 was attributable to higher returns from both lending activities and money market operations.

Canadian Pacific Enterprises Limited – Corporate activities

Net income from Corporate activities amounted to $22.2 million, compared with $29.6 million in 1980 and $8.9 million in 1979. Income in 1980 included a net gain of $13 million on the sale of Enterprises' 13.4% interest in MacMillan Bloedel Limited. There were increases in interest income in both 1981 and 1980.

Effects of Changing Prices and Inflation

The business community has long recognized the limitations of conventional financial reporting in a period of high and sustained inflation. So far, a wholly satisfactory solution to the problem of accounting under those conditions has not been found. The accounting profession in the United States wrestled for several years with various approaches before the Financial Accounting Standards Board produced its recommendations in 1979. Those became effective in 1980, and require disclosure of supplementary financial data showing adjustments for inflation on two bases – constant dollar and current cost. At the end of 1981, the Canadian Institute of Chartered Accountants published revised recommendations, which adopt the current cost method. The Institute plans to have its recommendations in final form in time to be made effective in respect of financial results reported for fiscal years ending after December 15, 1982.

The accounting authorities make no claims that the methods they recommend are the final answer; they hope and expect that experience in using and interpreting the figures produced will show the way towards improving them. Business managers and investors, as well as the professional accountants, have an important contribution to make in this process.

One of the most important benefits of having inflation-adjusted earnings may well be the revelation of the toll that inflation takes of funds needed for replacement and growth. This is particularly significant with respect to taxes on corporate incomes. Traditional, and present, practice is to levy these on income after allowance for the using up of assets based on past, rather than current, costs. Under continuing inflation, this is effectively a tax on capital. This would be serious enough if it simply led to ever greater dependence on long term debt for financing. However, the current problem goes deeper still because lack of confidence that inflation can be brought down and resulting high interest rates have reduced the supply of funds to the long term bond market. Corporate borrowers must now rely to a large degree on short term borrowings, and are thus discouraged from undertaking the long term commitments that an adequate level of new capital investment involves.

Over the long term most of the activities of Enterprises are adversely affected by inflation through the limitations it imposes on the ability to finance asset replacement and expansion. Over the short term the various sectors are affected in differing ways. The resource sector in general is influenced principally by economic cycles, and price levels are dictated by the marketplace rather than by short term underlying costs. In metal mining, for example, metal prices reflect world markets; when these are weak, as at present, inflationary escalation of costs further compresses profit margins. The oil and gas industry is a special case; in Canada prices are regulated by Federal and Provincial governments and although prices may continue to rise, most of the benefit will be taken in taxes. Moreover, Canadian oil prices are still significantly below international levels. In the case of coal, most of the coal mined by the Corporation's coal subsidiary is sold to Japanese steel producers under long term contract. Price increases under that contract in 1980 and 1981 failed to keep pace with the increases in costs, and a substantial increase is being sought in April 1982 when the contract is renegotiated. In the forest product group, conditions in the markets for pulp and newsprint indicate that price levels in 1982 will not be sufficient to cover the continuing escalation of costs. World wide lumber prices have been depressed for some time and are not likely to improve until there is revival in housing construction. In the iron and steel group, productivity improvements and product selling prices were sufficient in 1981 to offset current cost increases. For real estate, higher operating costs can be substantially recovered because of escalation clauses contained in tenant leases.

Canadian Pacific Enterprises Limited

Financial Statements

1981

Summary of Significant Accounting Policies

General

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The significant differences between Canadian and United States generally accepted accounting principles, insofar as they apply to the Corporation, are described under Supplementary Data. Unless otherwise specified, all dollar amounts are expressed in Canadian dollars.

Consolidation

The financial statements of all subsidiary companies are consolidated in the financial statements of Canadian Pacific Enterprises Limited (Enterprises) except those of a finance company, which is accounted for on the equity basis. The Directors have determined the classes of business of Enterprises at a meeting of the Directors and have recorded them in the minutes of the meeting. The classes of business are based upon the major activities of significant subsidiaries, and the principal companies included in each class are as follows:

Percentage Ownership, December 31		*1981*	*1980*	*1979*
Oil and Gas	PanCanadian Petroleum Limited	**87.08%**	87.08%	87.08%
Mines and Minerals	Cominco Ltd.	**54.35%**	53.64%	53.75%
	Fording Coal Limited:			
	Enterprises	**60%**	60%	60%
	Cominco	**40%**	40%	40%
	Steep Rock Iron Mines Limited	**77.50%**	77.28%	77.11%
Forest Products	CIP Inc.	**100%**	—	—
	Great Lakes Forest Products Limited	**54.28%**	54.28%	54.01%
	Pacific Forest Products Limited	**100%**	100%	100%
	Commandant Properties, Limited	**100%**	100%	100%
Iron and Steel	The Algoma Steel Corporation, Limited	**57.63%**	56.77%	54.97%
	AMCA International Limited*:			
	Enterprises	**9.37%**	9.38%	9.46%
	Algoma	**42.74%**	42.80%	43.15%
Real Estate	Marathon Realty Company Limited	**100%**	100%	100%
Agriproducts	Maple Leaf Mills Limited	**100%**	100%	—
	CanPac AgriProducts Limited	**100%**	100%	100%
	Rothsay Concentrates Co. Limited+	**—**	100%	100%
Other Businesses	Canadian Pacific Hotels Limited	**100%**	100%	100%
	Syracuse China Corporation	**100%**	100%	100%
	Processed Minerals Incorporated	**100%**	100%	100%
Financial	Canadian Pacific Enterprises Limited – Corporate activities			
	Canadian Pacific Securities Limited	**100%**	100%	100%
	Chateau Insurance Company	**99.98%**	99.96%	99.96%
	Canadian Pacific Enterprises (International) B.V.	**100%**	100%	100%
	Canadian Pacific Enterprises (U.S.) Inc.	**100%**	100%	100%
	Canadian Pacific Enterprises (Finance) N.V.†	**100%**	100%	100%

**Prior to June 1, 1981, the name of this company was Dominion Bridge Company, Limited.*

+This company was merged with Maple Leaf Mills Limited effective January 6, 1981.

†Prior to January 19, 1981, the name of this company was Canellus Finance N.V.

Consolidation continued

Algoma Steel supplies structural steel and plate to AMCA International. In reporting the results of Iron and Steel operations in the statement of consolidated income, the following amounts have been eliminated from sales and operating revenue and from expenses: 1981, $51,010,000; 1980, $44,380,000; 1979, $36,712,000. Until the cessation of its mining and pelletizing operation in 1979, Steep Rock supplied iron ore pellets to Algoma, which amounted to $35,208,000 in 1979. This amount has not been eliminated in the statement of consolidated income in order to present fairly the results by activity. In addition, inter-company interest charges, amounting to $42,561,000 in 1981, $25,243,000 in 1980 and $22,149,000 in 1979, have not been eliminated in the statement of consolidated income. Enterprises' net income is not affected by this practice. There are no other significant inter-company charges within the Enterprises group of companies.

Foreign exchange

Current assets and current liabilities have been translated from foreign currencies into Canadian dollars at current rates. Fixed assets, related depreciation, depletion and amortization and long term debt (excluding the current portion) have been translated at historical rates. Revenues and expenses (except depreciation, depletion and amortization, which are translated at historical rates) have been translated at average rates in effect during the year. Gains or losses on exchange are included in income.

Inventories

Products, work in progress and raw materials of mining operations are valued generally at the lower of cost (determined on the monthly average method) and net realizable value. Supplies are valued at cost less appropriate allowances for obsolescence.

Finished products of Iron and Steel and work in progress related to steel making operations are valued at the lower of cost and net realizable value. Work in progress related to construction contracts is stated at accumulated production costs less amounts charged to income based on the percentage of completion of individual contracts. Raw materials and supplies are valued at the lower of cost and replacement cost.

Other inventories (principally related to Forest Products and Agriproducts) are valued at the lower of cost (generally average cost) and net realizable value.

Accounting for oil and gas properties

The full cost method of accounting is followed for oil and gas properties, whereby all costs related to the exploration for and the development of oil and gas reserves are capitalized. Such costs are depleted by the unit of production method based on estimated proven oil and gas reserves.

Interest on funds borrowed to finance major projects is capitalized during the construction period.

Accounting for mining properties

Expenditures on general mineral exploration are charged against earnings as incurred. Expenditures to investigate identified properties and to develop new mines are capitalized as mineral properties and development. Because of the uncertainty of the final outcome, expenditures on investigation, together with the cost of certain investments in mineral companies, are amortized against earnings by charges for depletion. Abandoned properties are written off in the year of abandonment. Depletion on operating mines is provided on a unit of production or on a time basis based on the mineral reserves position.

Interest on specific borrowings to finance major expenditures for fixed assets is capitalized during the construction period.

Summary of Significant Accounting Policies

Accounting for iron and steel properties

Depreciation of manufacturing plant and equipment is provided on a straight-line basis at rates intended to amortize the cost of these assets over their estimated economic lives. Mining equipment and mine development are either depreciated on a straight-line basis at rates intended to amortize the cost of these assets over their estimated economic lives or are amortized on a unit of production basis over the estimated recoverable raw material reserves.

Expenditures on exploration for, investigation of, and holding, raw material properties, and costs of research and start-up of new production facilities, are charged to earnings as incurred.

Interest incurred on funds borrowed directly to finance the development of new raw material properties is capitalized during the period of construction and initial development. Such interest is included in the charge to earnings for depreciation and amortization when production commences in commercial quantities.

Accounting for real estate properties

All operating and carrying costs net of rental revenues are capitalized for all income producing properties until a satisfactory level of occupancy is obtained, subject to a reasonable maximum period of time.

Land under development and held for development is carried at cost, including carrying costs, principally real estate taxes and interest. Buildings and construction in progress are carried at cost including real estate taxes, interest and initial leasing costs.

The sinking fund method of providing depreciation is used for the majority of buildings. This method will write off the cost of the buildings over a maximum period of 40 years in a series of annual instalments increasing at the rate of 5% compounded annually.

Accounting for other properties

Depreciation and amortization of other properties are charged to earnings, either on a straight-line or on a unit of production basis, over the estimated economic lives of the facilities involved.

Interest on debt incurred to finance major expansion programs under Forest Products and Other Businesses is capitalized during the construction period.

Pensions

In addition to current service costs, charges to income include annual payments on account of past service liabilities. Such liabilities are being funded over varying periods to 1996.

Earnings per share

Earnings per common share are calculated using the weighted average number of shares outstanding during the year.

Statement of Consolidated Income

For the Year ended December 31

(in thousands)		1981	1980	1979
Oil and Gas	Gross operating revenue	**$ 641,922**	$ 574,687	$ 423,905
	Expenses including income taxes	**438,185**	333,320	258,075
		203,737	241,367	165,830
	Interest of outside shareholders	**26,323**	31,185	21,425
	Net income	**177,414**	210,182	144,405
Mines and Minerals	Gross operating revenue	**1,725,435**	1,698,480	1,532,277
	Expenses including income taxes	**1,638,049**	1,502,288	1,275,907
		87,386	196,192	256,370
	Interest of outside shareholders	**49,724**	97,554	126,658
	Net income	**37,662**	98,638	129,712
Forest Products	Sales and operating revenue	**1,026,614**	674,914	470,438
	Expenses including income taxes	**975,888**	593,311	399,886
		50,726	81,603	70,552
	Interest of outside shareholders	**34,499**	36,034	22,875
	Net income	**16,227**	45,569	47,677
Iron and Steel	Sales and operating revenue	**3,312,389**	2,382,210	2,185,316
	Expenses including income taxes	**3,111,570**	2,237,273	2,043,679
		200,819	144,937	141,637
	Interest of outside shareholders	**107,233**	83,731	81,414
	Net income	**93,586**	61,206	60,223
Real Estate	Gross rentals and other income	**226,989**	193,988	130,495
	Expenses including income taxes	**202,688**	172,809	111,079
		24,301	21,179	19,416
	Interest of outside shareholders	**274**	188	175
	Net income	**24,027**	20,991	19,241
Agriproducts	Gross operating revenue	**1,165,233**	715,587	254,856
	Expenses including income taxes	**1,143,472**	705,337	249,964
		21,761	10,250	4,892
	Interest of outside shareholders	**1,823**	576	—
	Net income	**19,938**	9,674	4,892
Other Businesses	Gross operating revenue	**334,538**	302,366	262,148
	Expenses including income taxes	**317,672**	290,564	258,102
	Net income	**16,866**	11,802	4,046
Financial	Gross operating revenue	**168,200**	142,261	95,817
	Expenses including income taxes	**149,320**	109,066	85,684
	Net income	**18,880**	33,195	10,133
Net Income		**$ 404,600**	$ 491,257	$ 420,329
Earnings per Common Share		**$ 2.87**	$ 3.63	$ 3.36

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Statement of Consolidated Retained Income

For the Year ended December 31

(in thousands)	1981	1980	1979
Balance, January 1	**$ 1,583,470**	$ 1,234,964	$ 910,678
Net income	**404,600**	491,257	420,329
	1,988,070	1,726,221	1,331,007
Underwriters' commission and expenses in connection with the issue of common shares (net of income tax of 1980 – $4,970,000; 1979 – $3,495,000)	**—**	4,756	3,787
Dividends			
4¾% Preferred shares	**—**	22	35
Common shares (per share – 1981 – $1.12; 1980 – $1.005; 1979 – 72.5¢)	**157,932**	137,973	92,221
Total dividends	**157,932**	137,995	92,256
Balance, December 31	**$ 1,830,138**	$ 1,583,470	$ 1,234,964

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Statement of Changes in Consolidated Financial Position

For the Year ended December 31

(in thousands)		1981	1980	1979
Source of Funds	Net income	**$ 404,600**	$ 491,257	$ 420,329
	Depreciation, depletion and amortization	**338,049**	290,736	258,880
	Deferred income taxes	**259,021**	188,678	155,141
	Outside shareholders' interest in income of subsidiaries	**219,876**	249,268	252,547
	Funds from operations	**1,221,546**	1,219,939	1,086,897
	Issuance of common shares	**15,432**	243,936	157,500
	Sales of investments	**5,772**	87,304	12,820
	Issuance of long term debt	**1,717,767**	268,426	326,414
	Issuance of shares by subsidiaries	**38,233**	53,531	45,283
	Proceeds from disposal of properties	**65,798**	59,078	109,366
	Working capital of subsidiaries acquired and consolidated	**257,403**	289,016	14,872
		$ 3,321,951	$ 2,221,230	$ 1,753,152
Application of Funds	Additions to properties	**$ 1,555,214**	$ 982,684	$ 727,508
	Additions to investments	**42,933**	11,878	33,747
	Investment in subsidiaries acquired and consolidated	**1,112,665**	361,852	112,357
	Reduction in long term debt	**251,577**	223,170	285,294
	Reduction of outside shareholders' interest in subsidiaries	**13,314**	8,559	8,144
	Dividends declared	**157,932**	137,995	92,256
	Dividends paid outside shareholders of subsidiaries	**113,960**	107,494	96,842
	Sundries, net	**49,685**	(2,871)	26,488
	Working capital deficit of subsidiary acquired and consolidated	**—**	—	58,931
	Increase in working capital	**24,671**	390,469	311,585
		$ 3,321,951	$ 2,221,230	$ 1,753,152
Changes in Consolidated Working Capital	Current Assets			
	Cash and temporary investments	**$ (320,579)**	$ 81,501	$ 392,588
	Demand loans	**82**	7	(98,291)
	Accounts receivable	**344,670**	140,468	137,467
	Inventories	**478,966**	376,244	212,041
	Prepaid expenses	**6,274**	8,479	(4,378)
		509,413	606,699	639,427
	Current Liabilities			
	Bank loans	**299,532**	8,796	12,243
	Accounts payable and accrued charges	**252,237**	209,982	159,740
	Notes and accrued interest payable	**64,862**	(75,109)	98,677
	Income and other taxes payable	**(83,942)**	9,887	96,166
	Dividends payable	**781**	(13,232)	27,045
	Long term debt maturing within one year	**(48,728)**	75,906	(66,029)
		484,742	216,230	327,842
	Increase in Working Capital	**$ 24,671**	$ 390,469	$ 311,585

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Consolidated Balance Sheet

December 31

Assets	(in thousands)	1981	1980
Current Assets	Cash and temporary investments, at cost (approximates market)	**$ 622,574**	$ 943,153
	Demand loans (interest bearing) – Canadian Pacific Limited and subsidiaries	**43,563**	43,481
	Accounts receivable	**1,320,780**	976,110
	Inventories	**1,746,715**	1,267,749
	Prepaid expenses	**39,412**	33,138
		3,773,044	3,263,631
Investments	Portfolio (market value $103,913,000; 1980 – $108,282,000)	**67,337**	69,201
	Other	**359,107**	262,581
		426,444	331,782
Properties, at cost	Oil and gas	**1,768,498**	1,464,405
	Mines and minerals	**2,093,333**	1,657,601
	Forest products	**1,885,893**	716,295
	Iron and steel	**1,727,815**	1,433,148
	Real estate	**1,070,873**	936,813
	Agriproducts	**243,021**	219,887
	Other businesses	**291,111**	269,227
	Financial	**1,516**	1,319
		9,082,060	6,698,695
	Less: Accumulated depreciation, depletion and amortization	**2,261,844**	1,997,403
		6,820,216	4,701,292
Other Assets and Deferred Charges		**221,416**	199,441
		$11,241,120	$ 8,496,146

Auditors' Report
To the Shareholders of Canadian Pacific Enterprises Limited

We have examined the consolidated balance sheets of Canadian Pacific Enterprises Limited as at December 31, 1981 and 1980 and the statements of consolidated income, consolidated retained income and changes in consolidated financial position for each of the three years in the period ended December 31, 1981. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1981 and 1980 and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1981 in accordance with generally accepted accounting principles in Canada consistently applied.

Price Waterhouse,
Chartered Accountants,
Montreal, Quebec,
March 4, 1982

Liabilities		(in thousands)	*1981*	*1980*
Current Liabilities	Bank loans		**$ 370,202**	$ 70,670
	Accounts payable		**582,288**	488,963
	Accrued charges		**674,472**	515,560
	Notes and accrued interest payable		**396,509**	331,647
	Income and other taxes payable		**149,421**	233,363
	Dividends payable		**41,492**	40,711
	Long term debt maturing within one year		**147,004**	195,732
			2,361,388	1,876,646
Deferred Liabilities			**106,341**	93,435
Long Term Debt			**3,309,945**	1,831,381
Outside Shareholders' Interest in Subsidiary Companies			**1,508,794**	1,377,625
Deferred Income Taxes			**1,193,990**	818,497
Shareholders' Equity	Common shares			
	Authorized – Unlimited			
	Issued – 141,355,679 (1980 – 140,661,215) shares		**848,678**	833,246
	Paid-in surplus		**81,846**	81,846
	Retained income		**1,830,138**	1,583,470
			2,760,662	2,498,562
			$11,241,120	$ 8,496,146

Approved by the Board:
Ian D. Sinclair, Director
Robert W. Campbell, Director

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Expenses Including Income Taxes

	(in thousands)	1981	1980	1979
Oil and Gas	Cost of goods sold	**$ 134,702**	$ 107,030	$ 86,098
	Selling, general and administrative	**20,817**	15,967	13,353
	Depreciation, depletion and amortization	**72,428**	65,380	54,030
	Interest	**32,174**	25,373	30,239
	Income taxes	**178,064**	119,570	74,355
		438,185	333,320	258,075
Mines and Minerals	Cost of goods sold	**1,095,129**	990,074	798,833
	Distribution, selling, general and administrative	**319,417**	257,028	220,461
	Depreciation, depletion and amortization	**98,415**	84,966	83,640
	Interest	**72,127**	36,334	30,584
	Income taxes	**52,961**	133,886	142,389
		1,638,049	1,502,288	1,275,907
Forest Products	Cost of goods sold	**789,206**	461,155	299,352
	Selling, general and administrative	**30,245**	14,250	10,936
	Depreciation, depletion and amortization	**50,941**	40,788	29,606
	Interest	**68,295**	14,221	13,345
	Income taxes	**37,201**	62,897	46,647
		975,888	593,311	399,886
Iron and Steel	Cost of goods sold	**2,464,783**	1,839,811	1,693,010
	Selling, general and administrative	**314,256**	198,634	162,009
	Depreciation, depletion and amortization	**77,543**	68,916	67,114
	Interest	**108,663**	60,132	48,546
	Income taxes	**146,325**	69,780	73,000
		3,111,570	2,237,273	2,043,679
Real Estate	Operating expenses and cost of sales	**113,227**	100,806	56,423
	Depreciation	**10,309**	8,788	6,610
	Interest	**55,901**	48,464	34,749
	Income taxes	**23,251**	14,751	13,297
		202,688	172,809	111,079
Agriproducts	Cost of goods sold	**934,587**	604,548	230,909
	Selling, general and administrative	**161,651**	74,601	8,857
	Depreciation and amortization	**14,860**	9,066	3,600
	Interest	**21,367**	9,625	2,275
	Income taxes	**11,007**	7,497	4,323
		1,143,472	705,337	249,964

1. Expenses Including Income Taxes continued

	(in thousands)	1981	1980	1979
Other Businesses	Operating expenses and cost of goods sold	**$ 232,046**	$ 217,442	$ 190,503
	Selling, general and administrative	**47,882**	40,962	37,439
	Depreciation and amortization	**13,292**	12,425	14,158
	Interest	**10,797**	11,458	10,635
	Income taxes	**13,655**	8,277	5,367
		317,672	290,564	258,102
Financial	General and administrative	**61,898**	32,852	26,801
	Depreciation and amortization	**261**	407	122
	Interest	**88,138**	74,624	66,446
	Income taxes	**(977)**	1,183	(7,685)
		149,320	109,066	85,684
		$ 7,976,844	$ 5,943,968	$ 4,682,376

2. Interest Expense

(in thousands)	1981	1980	1979
Interest on long term debt	**$ 275,317**	$ 171,951	$ 156,306
Interest on short term debt	**139,584**	83,037	58,364
	$ 414,901	$ 254,988	$ 214,670
Interest capitalized on funds borrowed to finance capital projects	**$ 56,501**	$ 22,723	$ 12,596

Notes to Consolidated Financial Statements

3. Income Taxes

(in thousands)		1981		1980		1979
The deferred income tax provision arose as follows:						
Capital cost allowances	**$**	**179,289**	$	122,129	$	104,196
Exploration and development allowances		**55,135**		57,793		45,584
Other		**24,597**		8,756		5,361
	$	**259,021**	$	188,678	$	155,141
Income tax at the statutory tax rate may be reconciled to the effective tax as follows:						
Income tax at the statutory rate	**$**	**517,873**	$	554,584	$	488,719
Depletion and resource allowances		**(84,923)**		(115,297)		(114,132)
Provincial mining and resource taxes		**11,948**		26,483		29,652
Royalties and mineral reserve tax		**20,155**		22,894		16,942
Petroleum and gas revenue tax		**36,136**		—		—
Other		**(39,702)**		(70,823)		(69,488)
Income tax as charged to income	**$**	**461,487**	$	417,841	$	351,693

4. Geographic Areas

1981 (in thousands)	Canada	United States	Other	Eliminations	Total
Gross operating revenue	$ 6,009,869	$ 2,181,788	$ 409,663	$ 42,561	$ 8,558,759
Inter-area transfers	415,207	222,768	45,348	683,323	—
	6,425,076	2,404,556	455,011	725,884	8,558,759
Expenses	5,544,744	2,273,390	380,546	725,884	7,472,796
Net income before taxes	880,332	131,166	74,465	—	1,085,963
Income taxes – current	135,405	39,699	27,362	—	202,466
– deferred	248,879	13,893	(3,751)	—	259,021
	384,284	53,592	23,611	—	461,487
	496,048	77,574	50,854	—	624,476
Interest of outside shareholders	158,584	33,119	28,173	—	219,876
Net income	$ 337,464	$ 44,455	$ 22,681	$ —	$ 404,600
Identifiable Assets	$ 9,250,774	$ 1,770,379	$ 484,659	$ 264,692	$11,241,120

1980	Canada	United States	Other	Eliminations	Total
Gross operating revenue	$ 4,814,310	$ 1,582,038	$ 288,145	$ 25,243	$ 6,659,250
Inter-area transfers	234,696	231,435	13,548	479,679	—
	5,049,006	1,813,473	301,693	504,922	6,659,250
Expenses	4,072,309	1,680,982	252,515	504,922	5,500,884
Net income before taxes	976,697	132,491	49,178	—	1,158,366
Income taxes – current	181,128	31,541	16,494	—	229,163
– deferred	177,955	8,927	1,796	—	188,678
	359,083	40,468	18,290	—	417,841
	617,614	92,023	30,888	—	740,525
Interest of outside shareholders	193,757	39,066	16,445	—	249,268
Net income	$ 423,857	$ 52,957	$ 14,443	$ —	$ 491,257
Identifiable Assets	$ 6,791,418	$ 1,451,953	$ 498,840	$ 246,065	$ 8,496,146

4. Geographic Areas continued

1979 *(in thousands)*	*Canada*	*United States*	*Other*	*Eliminations*	*Total*
Gross operating revenue	$ 3,758,693	$ 1,334,536	$ 262,023	$ 57,357	$ 5,297,895
Inter-area transfers	156,594	194,738	19,750	371,082	—
	3,915,287	1,529,274	281,773	428,439	5,297,895
Expenses	3,034,132	1,435,815	231,818	428,439	4,273,326
Net income before taxes	881,155	93,459	49,955	—	1,024,569
Income taxes – current	161,273	29,370	5,909	—	196,552
– deferred	145,096	7,552	2,493	—	155,141
	306,369	36,922	8,402	—	351,693
	574,786	56,537	41,553	—	672,876
Interest of outside shareholders	199,746	27,173	25,628	—	252,547
Net income	$ 375,040	$ 29,364	$ 15,925	$ —	$ 420,329
Identifiable Assets	$ 5,707,656	$ 1,091,458	$ 421,664	$ 210,911	$ 7,009,867

Export Sales *(in thousands)*		*1981*	*1980*	*1979*
Included under the Canada caption above	United States	**$ 1,597,811**	$ 1,129,616	$ 949,465
	Other	**727,450**	515,895	332,112
		$ 2,325,261	$ 1,645,511	$ 1,281,577

Transfers between geographic segments are accounted for at prices comparable to market prices for similar products. The income account eliminations relate to inter-company interest as well as inter-area transfers, while the identifiable asset eliminations are in respect of inter-company loans.

5. Inventories

(in thousands)	1981	1980
Raw materials	**$ 724,682**	$ 482,848
Work in progress	**297,099**	270,161
Finished goods	**490,743**	360,296
Stores and materials	**234,191**	154,444
	$ 1,746,715	$ 1,267,749

6. Investment Portfolio

(in thousands)		1981		1980	
	Percentage of outstanding voting shares	Cost	Approximate market value	Cost	Approximate market value
Common Shares					
MICC Investments Limited	3.92	$ 2,293	$ 4,049	$ 2,293	$ 5,162
Norcen Energy Resources Limited	1.03	3,804	7,268	3,804	8,423
Rio Algom Limited	9.37	30,823	54,610	30,823	46,619
Union Carbide Canada Limited	8.24	18,375	28,060	18,375	34,044
Other		2,356	2,803	4,220	6,444
		57,651	96,790	59,515	100,692
Preferred Shares		7,488	5,226	7,488	5,658
Bonds, Debentures and Notes		2,198	1,897	2,198	1,932
		$ 67,337	$ 103,913	$ 69,201	$ 108,282

7. Other Investments

(in thousands)	1981	1980
Accounted for on the equity basis:		
Koehring Financial Corporation	**$ 54,840**	$ 39,710
Aberfoyle Limited	**32,330**	20,412
Tahsis Company Ltd.	**58,454**	—
Tilden Iron Ore Partnership	**43,506**	41,304
Other	**77,516**	73,109
Accounted for on the cost basis:		
Panarctic Oils Ltd.	**42,303**	40,637
Tara Exploration and Development Company Limited	**26,903**	26,903
Other	**23,255**	20,506
	$ 359,107	$ 262,581

8. Properties and Accumulated Depreciation, Depletion and Amortization

(in thousands)		1981 Cost	1981 Accumulated depreciation, depletion and amortization	1981 Net	1980 Net
Oil and Gas	Equipment	$ 569,110	$ 129,353	$ 439,757	$ 295,368
	Petroleum, natural gas and mineral properties	1,199,388	295,070	904,318	815,495
		1,768,498	424,423	1,344,075	1,110,863
Mines and Minerals	Land, buildings and equipment	1,618,750	541,175	1,077,575	863,475
	Mining properties and development	474,583	114,120	360,463	217,075
		2,093,333	655,295	1,438,038	1,080,550
Forest Products	Land and improvements	58,770	—	58,770	14,092
	Buildings and equipment	1,650,336	303,637	1,346,699	349,242
	Timberlands and licences	176,787	18,982	157,805	79,967
		1,885,893	322,619	1,563,274	443,301
Iron and Steel	Manufacturing plants	1,544,311	558,811	985,500	731,456
	Raw material properties	183,504	87,177	96,327	92,309
		1,727,815	645,988	1,081,827	823,765
Real Estate	Land	325,252	—	325,252	269,113
	Buildings	678,888	48,138	630,750	523,474
	Construction in progress	66,733	—	66,733	104,243
		1,070,873	48,138	1,022,735	896,830
Agriproducts	Land and improvements	16,223	626	15,597	14,853
	Buildings and equipment	226,798	91,213	135,585	121,858
		243,021	91,839	151,182	136,711
Other Businesses	Land and improvements	10,749	389	10,360	11,006
	Buildings and equipment	280,362	72,434	207,928	197,533
		291,111	72,823	218,288	208,539
Financial	Leasehold improvements and equipment	1,516	719	797	733
		$ 9,082,060	$ 2,261,844	$ 6,820,216	$ 4,701,292

9. Capital Expenditures

(in thousands)	1981	1980	1979
Oil and Gas	**$ 308,728**	$ 269,806	$ 213,827
Mines and Minerals	**471,107**	341,625	170,843
Forest Products	**227,770**	63,684	115,915
Iron and Steel	**327,419**	140,961	104,474
Real Estate	**174,728**	133,223	98,652
Agriproducts	**20,964**	12,622	4,810
Other Businesses	**24,203**	20,606	18,686
Financial	**295**	157	301
	$ 1,555,214	$ 982,684	$ 727,508

10. Identifiable Assets

(in thousands)	1981	1980	1979
Oil and Gas	**$ 1,528,173**	$ 1,284,770	$ 1,080,244
Mines and Minerals	**2,196,655**	1,737,745	1,529,125
Forest Products	**2,301,629**	724,902	557,789
Iron and Steel	**2,913,085**	2,249,706	1,861,814
Real Estate	**1,086,712**	952,757	833,966
Agriproducts	**361,453**	384,497	87,967
Other Businesses	**279,248**	268,151	257,024
Financial	**838,857**	1,139,683	1,012,849
Eliminations (in respect of inter-company loans)	**(264,692)**	(246,065)	(210,911)
	$11,241,120	$ 8,496,146	$ 7,009,867

Notes to Consolidated Financial Statements

11. Long Term Debt

(in thousands)		1981	1980
PanCanadian Petroleum Limited	Bank loans due 1982-1985	**$ 121,925**	$ 123,140
	8⅛% – 16½% Debentures due 1983-1992	**144,250**	80,500
Cominco Ltd.	Bank loans due 1982-1994	**370,604**	136,150
	8½% – 10⅞% Sinking Fund Debentures due 1991-1995	**101,698**	106,577
	Notes due 1982-1996	**49,895**	49,224
	Subsidiaries of Cominco Ltd.	**55,989**	44,508
CIP Inc.	Bank loans due 1985-1994	**340,308**	—
	Balance of purchase price due 1982 (Note 18)	**510,000**	—
	Sundry – due 1982-1987	**2,948**	—
Great Lakes Forest Products Limited	8% – 11¼% Sinking Fund Bonds due 1989-1995	**43,085**	44,706
	8¾% Debentures due 1984	**17,506**	19,248
	Sundry – due 1982-1987	**14,932**	5,988
The Algoma Steel Corporation, Limited	7⅜% – 11% Sinking Fund Debentures due 1987-1995	**148,699**	151,854
	Floating Rate Income Debentures due 1994-1999	**106,880**	106,880
	9.65% Notes due 2000	**35,000**	35,000
AMCA International Limited	Bank loans due 1984-1996	**195,909**	45,877
	9% – 10¼% Debentures due 1984-1986	**63,124**	64,650
	Other notes payable 1982-1997	**107,272**	92,027
Marathon Realty Company Limited	Bank loans due 1982-2001	**136,941**	163,057
	6½% – 14¾% Sinking Fund Bonds due 1989-2002	**119,835**	76,324
	Mortgages due 1982-2016	**328,630**	245,110
	Sundry – due 1983-1991	**89,200**	90,122
Maple Leaf Mills Limited	Bank loan due 1990	**10,000**	24,000
	8½% – 11⅝% Sinking Fund Debentures due 1988-1998	**48,169**	54,335
	Sundry – due 1982-1988	**9,957**	3,361
CanPac AgriProducts Limited	Sundry – due 1982-1990	**21,885**	25,165
Canadian Pacific Hotels Limited	8⅝% – 11⅜% First Mortgage Sinking Fund Bonds due 1992-1995	**44,568**	45,100
	Sundry – due 1982-1993	**6,706**	5,400
Canadian Pacific Securities Limited	Bank loan due 1983-1985	**3,210**	3,210
	8¼% – 10½% Debentures due 1984-1993	**94,586**	96,050
	9¼% – 17¾% Notes due 1983-1987	**75,000**	70,000
Other companies		**38,238**	19,550
		3,456,949	2,027,113
	Less: Long term debt maturing within one year	**147,004**	195,732
		$ 3,309,945	$ 1,831,381

Of the aggregate bank loans of $1,223,315,000 included above, approximately $1,144,953,000 bear interest at rates which fluctuate (in certain cases within defined limits) with the lender's prime commercial rate.

At December 31, 1981, foreign currency long term debt, denominated principally in United States dollars, translated at current rates would be $800,293,000, which is $27,264,000 more than the amount at which it is carried above.

Annual maturities and sinking fund requirements for each of the five years following 1981 are:
1982, $147,004,000; 1983, $293,304,000;
1984, $219,874,000; 1985, $231,902,000; 1986, $262,857,000.

12. Outside Shareholders' Interest in Subsidiary Companies

(in thousands)	1981	1980
PanCanadian Petroleum Limited	**$ 102,689**	$ 90,888
Cominco Ltd.		
$2.00 Tax deferred exchangeable preferred shares, series A	**46,502**	48,473
Floating rate preferred shares, series C	**50,000**	50,000
Common share equity	**391,091**	396,938
Steep Rock Iron Mines Limited	**13,759**	13,076
CIP Inc.	**33,637**	—
Great Lakes Forest Products Limited	**149,903**	121,151
The Algoma Steel Corporation, Limited		
8% Tax deferred preference shares, series A	**53,530**	56,530
Floating rate preference shares	**80,000**	80,000
Common share equity	**371,992**	320,348
AMCA International Limited	**204,423**	189,377
Other	**11,268**	10,844
	$ 1,508,794	$ 1,377,625

13. Capital Stock

(in thousands)

	1981		1980		1979	
	Number	Amount	Number	Amount	Number	Amount
Preferred Shares						
Balance, January 1	—	$ —	35	$ 694	40	$ 793
Purchased at market	—	—	2	39	5	99
Redeemed for cash	—	—	33	655	—	—
Balance, December 31	**Nil**	**$ Nil**	Nil	$ Nil	35	$ 694
Common Shares						
Balance, January 1	**140,661**	**$ 833,246**	131,908	$ 589,310	121,408	$ 431,810
Issued for cash	**695**	**15,432**	7,924	225,936	10,500	157,500
Exchanged for all the common shares of Victoria Plywood	—	—	829	18,000	—	—
Balance, December 31	**141,356**	**$ 848,678**	140,661	$ 833,246	131,908	$ 589,310

Effective May 30, 1980, the common shares of Enterprises were divided on a two for one basis. Share information of prior years has been revised to reflect such division.

Notes to Consolidated Financial Statements

14. Pensions

At December 31, 1981 there were unfunded liabilities, determined by actuarial evaluations, of $286,000,000 (1980 – $191,000,000) which is being funded by a series of equal annual payments ending from 1982 to 1996.

Pension expense, including current service costs and payments on account of unfunded liabilities, was $89,000,000 (1980 – $68,000,000; 1979 – $65,000,000).

15. Commitments

At December 31, 1981 commitments for capital expenditures amounted to $988,000,000 and minimum payments under operating leases were estimated at $463,000,000 in the aggregate, with annual payments in each of the five years following 1981 of: 1982, $54,000,000; 1983, $49,000,000; 1984, $39,000,000; 1985, $32,000,000; 1986, $25,000,000.

At December 31, 1981, unused commitments for long term financing amounted to $1,557,000,000 at interest rates varying from prime to prime plus 1¼%, with commitment fees on $1,276,000,000 ranging from ¼% to ¾%.

Unused lines of credit for short term financing, subject to customary right of review at any time, repayable on demand and at various maturities up to 365 days, with interest averaging 16.91% amounted to $749,000,000 including $490,000,000 on which interest varies with Canadian prime.

16. Acquisitions

On October 1, 1981, a subsidiary of Enterprises acquired all the common stock of CIP Inc., formerly Canadian International Paper Company, which is engaged in Canada in the forest products industry. Maple Leaf Mills Limited acquired in April 1981 Gordon Young Limited, a rendering business, and its subsidiary, Laurentian Food Products Limited, a manufacturer of edible fats, oils and shortenings. These acquisitions were accounted for as purchases and consolidated from the dates of acquisition.

Summary of the assets acquired and the consideration given

(in thousands)	*CIP Inc.*	*Gordon Young*
Net assets acquired at values assigned thereto:		
Assets	$ 1,488,727	$ 15,013
Liabilities	385,957	5,118
	$ 1,102,770	$ 9,895
Consideration given:		
Cash	$ 102,770	$ 4,895
Balance of purchase price, payable January 4, 1982	660,000	—
Bank loans due 1985-1994	340,000	—
Notes due 1982-1986	—	5,000
	$ 1,102,770	$ 9,895

16. Acquisitions continued

Assuming the purchase of CIP had taken place on January 1, 1980 and $850,000,000 of the purchase price had been financed as of that date by bank borrowings at prime rate, the theoretical pro-forma consolidated results of Enterprises would have been as follows:

(in thousands)	*1981*	*1980*
Revenues	**$ 9,522,000**	$ 7,849,000
Net Income	**$ 342,901**	$ 508,629
Earnings per Common Share	**$ 2.43**	$ 3.76

In July 1980, a subsidiary of Enterprises acquired Maple Leaf Mills Limited for $121,569,000. In the same month, Pacific Forest Products acquired Victoria Plywood Ltd. The acquisition was accomplished by an exchange of common shares of Enterprises, the equivalent of $18 million. In September 1980, AMCA acquired Koehring Company for $161,270,000. In October 1980, Cominco purchased a block of shares of Bethlehem Copper Corporation for $61,013,000, which raised its 39.2% equity interest, book value $41,313,000, to 64.4%. During 1981, Cominco purchased additional shares of Bethlehem Copper for $90,146,000 to bring its holding to 100%. During 1979 Canadian Freehold Properties Ltd. was acquired for $66,173,000, the operations of Processed Minerals Incorporated for $30,601,000 and Corenco Corporation for $15,583,000. Except for Victoria Plywood, the purchase consideration in each case was cash, which approximated the values assigned to the net assets acquired. All these acquisitions were accounted for as purchases and consolidated from the dates of acquisition, and they had no material effect upon the consolidated financial position or consolidated net income of the Corporation.

17. Supplementary Data

The discussion of Canadian and United States Accounting Principles and the tables relating to Oil and Gas Production, Exploration and Development included in Supplementary Data are an integral part of these financial statements.

18. Subsequent Event

The payment of $660,000,000 made on January 4, 1982 in respect of the acquisition of CIP Inc. was financed by a contribution from Enterprises of $150,000,000 out of working capital and the balance of $510,000,000 by term bank borrowings.

Supplementary Data

The following data are provided to comply with certain disclosure requirements of the Securities and Exchange Commission (SEC) of the United States.

Canadian and United States Accounting Principles

The consolidated financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada, as promulgated by the Canadian Institute of Chartered Accountants. Over the years, a number of differences have developed between the accounting principles generally accepted in Canada and in the United States. For the information of the Corporation's United States shareholders, the major differences are described below and their effect on the Corporation's net income is summarized, their effect on the balance sheet not being significant.

The full cost method of accounting for Oil and Gas as promulgated by the SEC differs from the method followed by the Corporation in a number of respects. The primary differences are that Canadian GAAP permits capitalization of overhead which the SEC requires to be expensed and that Canadian GAAP permits the use of a world-wide full cost pool whereas the SEC requires that the full cost pool be established on a country-by-country basis.

The method of recording income from land sales and gains on sale of income properties in proportion to proceeds realized and the sinking fund method of providing depreciation followed by the Real Estate segment in accordance with Canadian GAAP are not acceptable methods under United States GAAP. If United States accounting principles had been followed, income from land sales and gains on sale of income properties would have been recorded in total in the years that the transactions occurred and the straight-line method of depreciation would have been used.

Enterprises follows the Canadian practice of translating foreign currency denominated long term debt (excluding the current portion) at historic exchange rates, while United States GAAP (Financial Accounting Standards Board Statement No. 8) requires such debt to be translated at current rates.

(in thousands)	*1981*	*1980*	*1979*
Net Income – Canadian GAAP	**$ 404,600**	$ 491,257	$ 420,329
Increased or (decreased) by:			
Oil and Gas	**(10,200)**	(4,900)	(9,000)
Real Estate	**(5,500)**	(2,500)	(2,700)
Foreign Exchange	**6,000**	(7,800)	4,975
	(9,700)	(15,200)	(6,725)
Net Income – United States GAAP	**$ 394,900**	$ 476,057	$ 413,604
Earnings per Common Share:			
Canadian GAAP	**$ 2.87**	$ 3.63	$ 3.36
United States GAAP	**2.80**	3.52	3.30

Oil and Gas Production, Exploration and Development

Revenues (net after royalties and lifting costs)

(in thousands)	1981	1980	1979
Oil	$ 185,251	$ 158,031	$ 135,784
Natural gas	214,433	212,105	150,596
Natural gas liquids	16,092	13,605	10,495
Sulphur	10,482	6,946	2,309
	$ 426,258	$ 390,687	$ 299,184

Approximately 4% (1980-3% and 1979-1%) of Oil and Gas revenues were produced in the United States.

Capitalized Costs

(in thousands)

	Country	Petroleum and Natural Gas Properties	Accumulated Depletion	Plant Production and Other Equipment	Accumulated Depreciation	Net Total
1981	Canada	$ 966,073	$ (242,679)	$ 560,421	$ (126,687)	$ 1,157,128
	United States	191,608	(38,463)	8,364	(2,493)	159,016
	Other	41,707	(13,928)	325	(173)	27,931
		$ 1,199,388	$ (295,070)	$ 569,110	$ (129,353)	$ 1,344,075
1980	Canada	$ 865,468	$ (207,535)	$ 391,927	$ (101,158)	$ 948,702
	United States	160,769	(30,972)	5,619	(1,147)	134,269
	Other	40,335	(12,570)	287	(160)	27,892
		$ 1,066,572	$ (251,077)	$ 397,833	$ (102,465)	$ 1,110,863

Consolidated depletion was allocated yearly on a prorated basis applying the ratio of current year area of interest expenditures to total expenditures during the year.

Costs Incurred in Producing Activities

(in thousands)

	Country	Property Acquisition	Exploration	Development	Lifting Costs	Depreciation, Depletion and Amortization
1981	Canada	$ 10,921	$ 44,715	$ 77,520	$ 56,256	$ 54,133
	United States	6,345	17,093	6,021	2,170	27,958
	Other	39	1,293	—	—	(17,676)
		$ 17,305	$ 63,101	$ 83,541	$ 58,426	$ 64,415
1980	Canada	$ 23,085	$ 106,339	$ 74,670	$ 47,942	$ 48,974
	United States	11,961	10,167	3,428	1,526	15,722
	Other	3,507	2,639	—	—	(6,901)
		$ 38,553	$ 119,145	$ 78,098	$ 49,468	$ 57,795
1979	Canada	$ 33,561	$ 66,925	$ 40,467	$ 39,491	$ 40,564
	United States	16,223	14,648	1,977	1,192	9,749
	Other	4	3,288	—	—	(619)
		$ 49,788	$ 84,861	$ 42,444	$ 40,683	$ 49,694

Supplementary Data

Reserve Recognition Accounting Data (Unaudited)

The following information was prepared in accordance with Securities and Exchange Commission regulations providing for presentation of a summary statement of oil and gas producing activities on the basis of reserve recognition accounting and has been included in accordance with the requirements of that Commission. Reserve recognition accounting statements are not prepared in accordance with generally accepted accounting principles in Canada or the United States and thus are not prepared on the same basis as the financial statements or notes to consolidated financial statements. Inclusion of reserve recognition accounting information is not intended to express an opinion of Enterprises that oil and gas prices or production and development costs will remain constant or will change at the same rates or that existing economic conditions will continue, all of which are assumed in preparing such statements. Their inclusion should not be interpreted as indicating that Enterprises believes that valid inferences as to Enterprises' probable future net revenues or pre-tax earnings can be derived therefrom.

Under the reserve recognition accounting method, proved reserves of oil and gas are recorded as "assets" upon discovery. The valuation of these assets is based on the present value of future net revenues to be derived from producing the reserves. Current year additions to proved reserves and revisions to the valuation of the reserves are reflected in the reserve recognition accounting "income statement" along with all costs associated with finding, developing and producing new reserves.

For the purposes of reserve recognition accounting valuation, PanCanadian has used proved reserve estimates as determined by McDaniel Consultants (1965) Ltd. for Canada and Ryder Scott Company for the United States.

Enterprises' estimated future net revenues from proved oil and gas reserves for 1982 through 1984 and all remaining years based on estimated reserves at December 31, 1981 are set forth below:

(in thousands)

	1982	*1983*	*1984*	*All Remaining Years*	*Total*
Estimated future net revenues from proved reserves (not discounted)	$ 456,873	$ 576,591	$ 649,729	$10,879,280	$12,562,473

The prices utilized in estimating future net revenues from Canadian production were escalated in accordance with the provisions of the federal and provincial energy pricing and taxation agreements. These agreements provide that the Canadian price of old oil will not exceed 75% of the world price. No increase in world oil prices beyond those established at December 31, 1981 has been anticipated in this projection.

The present value of estimated future net revenues from proved reserves discounted at 10% was $5,205,674,000 (1980-$2,627,506,000; 1979-$1,936,500,000).

Reserve Recognition Accounting Data (Unaudited) continued

The following table is a summary of oil and gas producing activities in 1981, 1980 and 1979 on the basis of reserve recognition accounting.

(in thousands)	*1981*	*1980*	*1979*
Present value of gross additions to proved reserves	$ 162,783	$ 63,158	$ 98,725
Revisions to estimates of reserves proved in prior periods:			
Changes in price	2,783,564	721,161	533,598
Changes in operating expense forecasts for proved reserves	(138,066)	41,885	(249,264)
Changes in production timing and engineering review of proved reserve quantities	(134,793)	(7,718)	157,571
Accretion of discount	262,751	193,650	151,797
	2,936,239	1,012,136	692,427
Acquisition, exploration, development and production costs:			
Costs incurred, including impairments	80,406	157,698	134,649
Present value of estimated future development and production costs	15,354	8,541	17,147
	95,760	166,239	151,796
Additions and revisions to proved reserves over related costs*	2,840,479	845,897	540,631
Provision for income and revenue taxes:			
Income taxes (at historical effective rate)	1,008,863	284,136	172,948
Petroleum and gas revenue tax	784,659	—	—
Incremental oil revenue tax	78,766	—	—
	1,872,288	284,136	172,948
Results of oil and gas producing activities on the basis of reserve recognition accounting	$ 968,191	$ 561,761	$ 367,683

**The corresponding pre-tax profit contribution reported in the historical financial statement is $362,902,000 (1980-$333,652,000; 1979-$249,490,000).*

Supplementary Data

Reserve Recognition Accounting Data (Unaudited) continued

The following table summarizes the changes in the present value of estimated future net revenues from proved reserves during 1981, 1980 and 1979. All amounts included in this table are prior to income and revenue taxes.

(in thousands)	*1981*	*1980*	*1979*
Balance, January 1	$ 2,627,506	$ 1,936,500	$ 1,517,960
Additions and revisions less related estimated future development and production costs of $15,354,000 (1980-$8,541,000; 1979-$17,147,000)	2,920,885	1,003,595	675,280
Expenditures that reduced estimated future development costs	83,541	78,098	42,444
	3,004,426	1,081,693	717,724
Less: Sales and transfers of oil and gas, net of production costs and mineral reserve taxes of $58,426,000 (1980-$49,468,000; 1979-$40,683,000)	426,258	390,687	299,184
	2,578,168	691,006	418,540
Balance, December 31	$ 5,205,674	$ 2,627,506	$ 1,936,500

Oil and Gas Reserves (Unaudited)

A report dated February 8, 1982 has been prepared by McDaniel Consultants (1965) Ltd., Calgary, Alberta, independent oil and gas reserve evaluators, estimating PanCanadian's net share of remaining proved crude oil, natural gas and natural gas liquids reserves in Canada. Net reserves shown by the report are included in the table which follows. Also included is PanCanadian's net share of remaining proved crude oil, natural gas liquids, and natural gas reserves in the United States, as estimated by Ryder Scott Company, Houston, Texas, independent petroleum engineers. "Net" reserves are the gross reserves underlying the properties in which PanCanadian has either a working interest or a royalty interest, less all royalties and interests owned by others.

	Oil (including natural gas liquids) (thousands of barrels)			*Natural Gas (MMcf)*		
	Canada	*United States*	*Total*	*Canada*	*United States*	*Total*
Net proved reserves:						
December 31, 1981	91,736	697	92,433	2,478,505	13,032	2,491,537
December 31, 1980	95,922	996	96,918	2,205,046	24,073	2,229,119
December 31, 1979	104,564	787	105,351	2,054,531	15,143	2,069,674

Oil and Gas Reserves (Unaudited) continued

Net reserves and changes in net proved reserves of oil (including natural gas liquids) and natural gas during the years ended December 31, 1981, 1980 and 1979 were as follows:

	Oil (including natural gas liquids) (thousands of barrels)	Natural Gas (MMcf)
Net reserves – December 31, 1978	112,579	1,899,575
Revisions of previous estimates	4,180	135,848
Extension, discovery and other additions	1,908	140,048
1979 Production	(13,316)	(105,797)
Net reserves – December 31, 1979	105,351	2,069,674
Revisions of previous estimates	4,222	193,478
Extension, discovery and other additions	387	68,942
1980 Production	(13,042)	(102,975)
Net reserves – December 31, 1980	96,918	2,229,119
Revisions of previous estimates	7,002	281,744
Extension, discovery and other additions	968	82,817
1981 Production	(12,455)	(102,143)
Net reserves – December 31, 1981	92,433	2,491,537

Proved reserves are considered to be those reserves which geological and engineering data demonstrate with a high degree of certainty to be recoverable in the future at commercial production rates under present depletion methods and current operating conditions, prices and costs. Essentially all of PanCanadian's proved crude oil reserves are considered to be developed and recoverable through existing wells with existing facilities. In the case of PanCanadian's proved natural gas and associated liquids reserves, sufficient wells exist in most instances to meet required initial withdrawal rates from the respective reservoirs. As a result, the natural gas and natural gas liquids reserves are considered to be developed even though additional drilling will be required in certain cases to drain effectively the respective reservoirs in a desirable length of time.

At December 31, 1981, PanCanadian had estimated proved reserves of 43,442,000 barrels of crude oil attributable to the Syncrude Project which are not included in the above table.

Taxation of United States Shareholders

Under the terms of proposed Canadian tax legislation and the United States – Canada tax convention, taxable dividends paid after November 12, 1981 to United States resident shareholders of Enterprises (other than tax exempt organizations) are subject to a Canadian withholding tax of 15%.

Generally, capital gains on the disposition by non-residents of securities issued by Enterprises are exempt from Canadian tax unless the securities are held in the conduct of a Canadian business.

Supplementary Data

1981 Quarterly Financial Information (Unaudited)

(in thousands)	*For the Three Months ended*	*March 31*	*June 30*	*September 30*	*December 31*
Oil and Gas	Gross operating revenue	$ 174,137	$ 145,912	$ 159,082	$ 162,791
	Expenses including income taxes	120,643	101,498	108,320	107,724
		53,494	44,414	50,762	55,067
	Interest of outside shareholders	6,911	5,739	6,558	7,115
	Net income	46,583	38,675	44,204	47,952
Mines and Minerals	Gross operating revenue	406,167	490,680	402,918	425,670
	Expenses including income taxes	388,554	466,173	381,921	401,401
		17,613	24,507	20,997	24,269
	Interest of outside shareholders	10,262	14,754	12,050	12,658
	Net income	7,351	9,753	8,947	11,611
Forest Products	Sales and operating revenue	174,744	186,824	161,783	503,263
	Expenses including income taxes	154,229	166,999	146,275	508,385
		20,515	19,825	15,508	(5,122)
	Interest of outside shareholders	9,302	9,112	8,597	7,488
	Net income	11,213	10,713	6,911	(12,610)
Iron and Steel	Sales and operating revenue	744,592	824,401	827,529	915,867
	Expenses including income taxes	698,143	763,325	783,438	866,664
		46,449	61,076	44,091	49,203
	Interest of outside shareholders	25,445	32,657	23,558	25,573
	Net income	21,004	28,419	20,533	23,630
Real Estate	Gross rentals and other income	53,299	56,150	49,544	67,996
	Expenses including income taxes	46,608	49,842	45,582	60,656
		6,691	6,308	3,962	7,340
	Interest of outside shareholders	44	60	95	75
	Net income	6,647	6,248	3,867	7,265
Agriproducts	Gross operating revenue	266,367	329,605	260,164	309,097
	Expenses including income taxes	262,702	323,624	255,199	301,947
		3,665	5,981	4,965	7,150
	Interest of outside shareholders	425	443	512	443
	Net income	3,240	5,538	4,453	6,707
Other Businesses	Gross operating revenue	73,649	85,332	97,142	78,415
	Expenses including income taxes	72,235	80,281	86,627	78,529
	Net income	1,414	5,051	10,515	(114)
Financial	Gross operating revenue	39,429	42,142	44,801	41,828
	Expenses including income taxes	35,561	36,660	39,957	37,142
	Net income	3,868	5,482	4,844	4,686
Net Income		$ 101,320	$ 109,879	$ 104,274	$ 89,127
Earnings per Common Share		$ 0.72	$ 0.78	$ 0.74	$ 0.63

1980 Quarterly Financial Information (Unaudited)

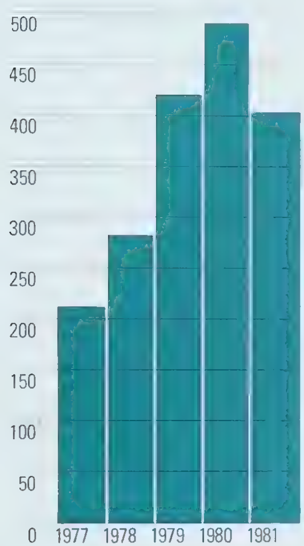
(in thousands)	For the Three Months ended	March 31	June 30	September 30	December 31
Oil and Gas	Gross operating revenue	$ 143,839	$ 141,299	$ 131,148	$ 158,401
	Expenses including income taxes	84,317	81,009	72,113	95,881
		59,522	60,290	59,035	62,520
	Interest of outside shareholders	7,690	7,790	7,627	8,078
	Net income	51,832	52,500	51,408	54,442
Mines and Minerals	Gross operating revenue	397,889	432,823	405,635	462,133
	Expenses including income taxes	332,399	392,108	367,789	409,992
		65,490	40,715	37,846	52,141
	Interest of outside shareholders	31,995	19,818	19,649	26,092
	Net income	33,495	20,897	18,197	26,049
Forest Products	Sales and operating revenue	167,005	169,294	171,771	166,844
	Expenses including income taxes	144,181	148,848	151,350	148,932
		22,824	20,446	20,421	17,912
	Interest of outside shareholders	9,188	8,759	9,476	8,611
	Net income	13,636	11,687	10,945	9,301
Iron and Steel	Sales and operating revenue	528,766	557,444	495,543	800,457
	Expenses including income taxes	494,496	525,660	473,136	743,981
		34,270	31,784	22,407	56,476
	Interest of outside shareholders	20,635	17,433	14,117	31,546
	Net income	13,635	14,351	8,290	24,930
Real Estate	Gross rentals and other income	49,937	46,284	41,013	56,754
	Expenses including income taxes	44,715	41,318	37,029	49,747
		5,222	4,966	3,984	7,007
	Interest of outside shareholders	45	49	53	41
	Net income	5,177	4,917	3,931	6,966
Agriproducts	Gross operating revenue	62,792	66,243	268,087	318,465
	Expenses including income taxes	62,721	65,668	263,210	313,738
		71	575	4,877	4,727
	Interest of outside shareholders	—	—	241	335
	Net income	71	575	4,636	4,392
Other Businesses	Gross operating revenue	63,886	76,565	87,061	74,854
	Expenses including income taxes	63,527	74,011	79,946	73,080
	Net income	359	2,554	7,115	1,774
Financial	Gross operating revenue	43,504	34,972	29,720	34,065
	Expenses including income taxes	25,440	30,076	25,283	28,267
	Net income	18,064	4,896	4,437	5,798
Net Income		$ 136,269	$ 112,377	$ 108,959	$ 133,652
Earnings per Common Share		$ 1.03	$ 0.85	$ 0.80	$ 0.95

Five-Year Summary

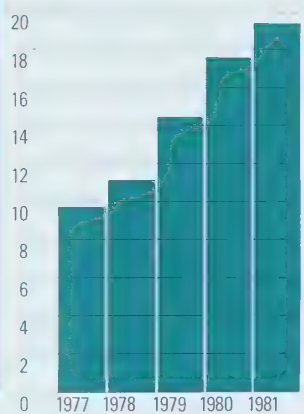
Figures in thousands, except amounts per share

	1981	1980	1979	1978	1977
Revenues	**$ 8,558,759**	$ 6,659,250	$ 5,297,895	$ 4,247,373	$ 2,696,944
Consolidated income					
Oil and gas	**$ 177,414**	$ 210,182	$ 144,405	$ 135,774	$ 110,222
Mines and minerals	**37,662**	98,638	129,712	49,522	46,020
Forest products	**16,227**	45,569	47,677	18,302	10,137
Iron and steel	**93,586**	61,206	60,223	41,330	18,032
Real estate	**24,027**	20,991	19,241	15,315	11,569
Agriproducts	**19,938**	9,674	4,892	5,883	4,426
Other businesses	**16,866**	11,802	4,046	(12,164)	(4,696)
Financial	**18,880**	33,195	10,133	30,812	8,972
Income before extraordinary item	**404,600**	491,257	420,329	284,774	204,682
Extraordinary item	**—**	—	—	—	8,542
Net Income	**$ 404,600**	$ 491,257	$ 420,329	$ 284,774	$ 213,224
Total assets	**$11,241,120**	$ 8,496,146	$ 7,009,867	$ 5,686,231	$ 4,409,311
Total long term debt	**$ 3,456,949**	$ 2,027,113	$ 1,744,856	$ 1,664,684	$ 1,314,088
Outside shareholders' interest in subsidiary companies	**1,508,794**	1,377,625	1,150,535	944,198	733,635
Shareholders' equity	**2,760,662**	2,498,562	1,906,808	1,425,106	1,188,591
Total capitalization	**$ 7,726,405**	$ 5,903,300	$ 4,802,199	$ 4,033,988	$ 3,236,314
Dividends					
Preferred Shares	**$ —**	$ 22	$ 35	$ 40	$ 432
Common Shares	**$ 157,932**	$ 137,973	$ 92,221	$ 47,956	$ 41,690
Number of Shares Outstanding					
Common – actual	**141,356**	140,661	131,908	121,408	121,408
– average	**140,972**	135,335	125,205	121,408	119,954
Preferred – actual	**Nil**	Nil	35	40	47
Per Common Share					
Income before extraordinary item	**$ 2.87**	$ 3.63	$ 3.36	$ 2.35	$ 1.70
Net income	**$ 2.87**	$ 3.63	$ 3.36	$ 2.35	$ 1.77
Dividends – paid quarterly; semi-annual prior to 1980	**$ 1.12**	$ 1.005	72.5¢	39.5¢	34.5¢

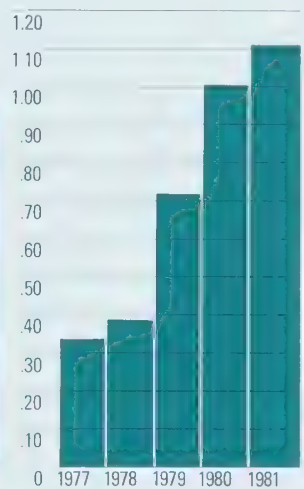
Consolidated Net Income
(in millions of dollars)



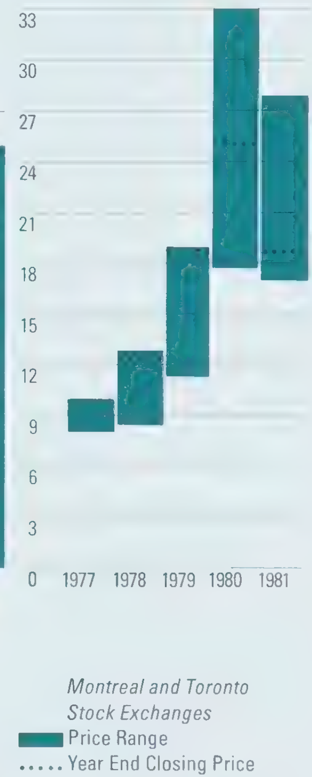
Shareholders' Equity per Common Share
(in dollars)



Dividends per Common Share
(in dollars)



Market Price per Common Share
(in dollars)



Directors

M. Norman Anderson,
Chairman and Chief Executive Officer,
Cominco Ltd.,
Vancouver

*F. S. Burbidge,**
Chairman and Chief Executive Officer,
Canadian Pacific Limited,
Montreal

Robert W. Campbell,
Vice-Chairman,
Canadian Pacific Enterprises Limited, and
Chairman of the Board and Chief Executive Officer,
PanCanadian Petroleum Limited,
Calgary

Thomas M. Galt,
Chairman and Chief Executive Officer,
Sun Life Assurance Company of Canada,
Toronto

John Macnamara,
Chairman and Chief Executive Officer,
The Algoma Steel Corporation, Limited,
Sault Ste. Marie

Angus A. MacNaughton,†
Chairman and Chief Executive Officer,
Genstar Corporation,
San Francisco

W. Earle McLaughlin,†*
Corporate Director,
Montreal

Paul A. Nepveu,
Chairman of the Board,
CIP Inc.,
Montreal

Hon. John L. Nichol, O.C.,
President,
Springfield Investment Co. Ltd.,
Vancouver

S. E. Nixon,†*
Corporate Director,
Montreal

*Paul L. Paré,**
Chairman and Chief Executive Officer,
Imasco Limited,
Montreal

Neil F. Phillips, Q.C.,†
Partner,
Phillips & Vineberg,
Montreal

*C. Douglas Reekie,**
President and Chief Executive Officer,
CAE Industries Ltd.,
Toronto

*Ian D. Sinclair,**
Chairman and Chief Executive Officer,
Canadian Pacific Enterprises Limited,
Montreal

R. D. Southern,
President and Chief Executive Officer,
ATCO Ltd.,
Calgary

*W. J. Stenason,**
President,
Canadian Pacific Enterprises Limited,
Montreal

*Member of Executive Committee
†Member of Audit Committee

Officers

Ian D. Sinclair,
Chairman and Chief Executive Officer,
Montreal

Robert W. Campbell,
Vice-Chairman,
Calgary

W. J. Stenason,
President,
Montreal

J. F. Hankinson,
Vice-President Finance and Accounting,
Montreal

G. S. MacLean,
Vice-President Administration and Secretary,
Montreal

J. D. Kenny,
Comptroller,
Montreal

B. J. Zafirian,
Treasurer,
Toronto

Directorate

In December 1981, the directors received, with regret, the resignation of Mr. W. Maurice Young as a director. Mr. Young served as a director since May 5, 1980. The directors wish to record their warm appreciation to Mr. Young for the contribution made by him to the Corporation during his association with the Board. Hon. John L. Nichol, O.C., was elected a director of the Corporation effective December 5, 1981, succeeding Mr. Young.

Principal Subsidiary Companies

*PanCanadian Petroleum Limited**
Robert W. Campbell, Chairman
2000, One Palliser Square
P.O. Box 2850
Calgary, Alberta
T2P 2S5

*Cominco Ltd.**
M. N. Anderson, Chairman
200 Granville Square
Vancouver, British Columbia
V6C 2R2

Fording Coal Limited
J. H. Morrish, President
Natural Resources Building
205–9th Avenue S.E.
Calgary, Alberta
T2G 0R4

*Steep Rock Iron Mines Limited**
L. J. Lamb, Chairman and President
40 University Avenue
Toronto, Ontario
M5J 2G5

CIP Inc.
Paul A. Nepveu, Chairman
1416 Sun Life Building
Montreal, Quebec
H3B 2X1

*Great Lakes Forest Products Limited**
C. J. Carter, Chairman and President
P.O. Box 430
Thunder Bay, Ontario
P7C 4W3

Pacific Forest Products Limited
W. M. Sloan, President
P.O. Box 10
468 Belleville Street
Victoria, British Columbia
V8W 2M3

Commandant Properties, Limited
L. M. Riopel, President
Suite 1900, Place du Canada
Montreal, Quebec
H3B 2N2

*The Algoma Steel Corporation, Limited**
John Macnamara, Chairman
503 Queen Street East
Sault Ste. Marie, Ontario
P6A 5P2

*AMCA International Limited**
K. S. Barclay, Chairman
1155 Dorchester Boulevard West
Montreal, Quebec
H3B 4C7

*Marathon Realty Company Limited**
S. E. Eagles, Chairman and President
Toronto-Dominion Centre
P.O. Box 375
Toronto, Ontario
M5K 1K8

*Maple Leaf Mills Limited**
R. G. Dale, Chairman
P.O. Box 710
Station "K"
Toronto, Ontario
M4P 2X5

Baker Commodities, Inc.
J. M. Andreoli, President
4020 Bandini Boulevard
Los Angeles, California 90023
U. S. A.

Canadian Pacific Hotels Limited
A. G. Cardy, Chairman and President
The Royal York Hotel
100 Front Street West
Toronto, Ontario
M5J 1E3

Canadian Pacific Enterprises (U.S.) Inc.
R. J. Theis, President
Suite 1550, One Lincoln Center
Syracuse, New York 13221
U. S. A.

Syracuse China Corporation
C. D. Amond, President
2900 Court Street
P.O. Box 4820
Syracuse, New York 13221
U. S. A.

Processed Minerals Incorporated
L. J. Lamb, Chairman
One North Main Street
P.O. Box 459
Hutchinson, Kansas 67501
U. S. A.

*Canadian Pacific Securities Limited**
J. F. Hankinson, Chairman
20 King Street West
Toronto, Ontario
M5H 1C4

Chateau Insurance Company
R. T. Riley, Chairman
Suite 3000
2300 Yonge Street
Toronto, Ontario
M4P 2X3

*A copy of the 1981 annual report of this company can be obtained by writing to its Secretary at the address above.

Common Share Market Prices

	Montreal and Toronto Stock Exchanges				New York Stock Exchange			
	1981		1980		1981		1980	
	High	Low	High	Low	High	Low	High	Low
First Quarter	**$ 26¾**	**$ 22⅜**	$ 24¾	$ 17⅞	**U.S. $ 22¾**	**U.S. $ 18¾**	—	—
Second Quarter	**28**	**23⅛**	22⅞	18⅜	**23½**	**19⅛**	—	—
Third Quarter	**25½**	**17½**	33	21⅝	**20¾**	**14⅝**	U.S. $28¼	U.S. $20½
Fourth Quarter	**21**	**17¼**	30⅞	23⅜	**17¼**	**14⅜**	26¼	19½
Year	**28**	**17¼**	33	17⅞	**23½**	**14⅜**	28¼	19½

The common shares were listed on the New York Stock Exchange July 22, 1980.

Common Share Listings

Canada –
Montreal, Toronto and Vancouver Stock Exchanges
United States –
New York Stock Exchange
Europe –
London, England and Amsterdam, The Netherlands

Transfer Agents and Registrars

Montreal Trust Company,
Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver.
Morgan Guaranty Trust Company of New York,
New York, New York.
The Royal Trust Company,
London, England.

Common Share Holdings December 31, 1981

Common shares outstanding 141,355,679, of which 100,000,000 were owned by Canadian Pacific Limited and the remainder by 32,184 shareholders, of whom 95.3% were Canadian Registrants.

Form 10-K

A copy of the Corporation's Form 10-K filed with the Securities and Exchange Commission will be provided without charge on written application to the Vice-President Administration and Secretary, Suite 1900, Place du Canada, Montreal, Quebec H3B 2N2.

Geographic Distribution of Net Property Investment

At December 31, 1981

		Properties at Cost, less Depreciation (millions)	Percent of Total
Canada	Atlantic Provinces	$ 216	3%
	Quebec	867	13
	Ontario	1,878	28
	Prairies	1,562	23
	B.C.	1,105	16
	N.W.T., Yukon and Offshore	303	4
		5,931	87
Outside Canada	United States	806	12
	Other	83	1
		889	13
Total		$ 6,820	100%

Version française
Si vous désirez vous procurer la version française du présent rapport, veuillez vous adresser au vice-président, Administration et secrétaire, Les Entreprises Canadien Pacifique Limitée, bureau 1900, Place du Canada, Montréal, Québec H3B 2N2.

Printed in Canada

CanadianPacific**Enterprises**Limited

Notice of Annual Meeting of Shareholders

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Canadian Pacific Enterprises Limited will be held in the Ontario Room, the Royal York Hotel, Toronto, Ontario, Canada, on Thursday, April 30, 1981, at 11:00 a.m. (daylight saving time, if operative), for the following purposes:

(a) to receive the Report of the Directors, accompanying Consolidated Financial Statements and Report of the Auditors thereon, for the year ended December 31, 1980;

(b) to elect directors;

(c) to appoint the auditors and to authorize the Board of Directors to fix their remuneration;

(d) to transact such other business as may properly come before the meeting.

The Board of Directors has, by resolution, fixed the time before which proxies to be used at the Annual Meeting of Shareholders or any adjournments thereof must be deposited at Montreal, Quebec, Canada, with the Corporation or the Montreal Trust Company as Agent for the Corporation, at twenty-four hours, excluding Saturdays and holidays, preceding the Annual Meeting or any adjournments thereof.

BY ORDER OF THE BOARD OF DIRECTORS,

G. S. MacLean,
General Manager, Administration
and Corporate Secretary.

Montreal, Quebec, Canada, March 6, 1981.

NOTE:

If you are unable to attend the meeting in person, please complete and return the enclosed form of proxy.

CanadianPacific**Enterprises**Limited

Registered Office: Suite 1900, Place du Canada, Montreal, Quebec, Canada H3B 2N2

Proxy Statement for Annual Meeting of Shareholders, Thursday, April 30, 1981

Approximate Date Proxy Material First Sent to Shareholders: March 24, 1981

Solicitation of Proxies

This Proxy Statement is furnished in connection with the solicitation by the management of Canadian Pacific Enterprises Limited of proxies for use at the Annual Meeting of Shareholders of the Corporation to be held at the time, place and for the purposes set forth in the foregoing notice of meeting and any adjournments thereof. The total cost of solicitation will be borne by the Corporation.

Appointment of Proxyholders and Revocation of Proxies

At all meetings of shareholders of the Corporation every shareholder is entitled to one vote for each share then held by him and such vote may be given in person or by proxy whether or not the proxyholder appointed by such proxy is himself a shareholder.

A shareholder giving a proxy has the right under subsection 142(4) of the *Canada Business Corporations Act* to revoke the proxy (1) by instrument in writing executed by the shareholder or by his/her attorney authorized in writing and deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or an adjournment thereof, at which the proxy is to be used, or with the chairman of the meeting on the day of the meeting, or an adjournment thereof or (2) in any other manner permitted by law.

Voting Securities and Principal Holders Thereof

On March 6, 1981, there were 140,748,056 Common Shares outstanding, each carrying one vote. The Corporation has fixed the close of business on Friday, March 20, 1981, as the record date for the purpose of determining shareholders entitled to receive notice of the meeting but, in accordance with the *Canada Business Corporations Act,* subsection 129(2), the failure of any shareholder of the Corporation to receive a notice of a meeting of shareholders of the Corporation does not deprive the shareholder of a vote at the meeting. In accordance with subsection 132(2) of the *Canada Business Corporations Act,* if a person has acquired shares after the record date, that person is entitled to vote those shares at the meeting upon producing properly endorsed share certificates, or otherwise establishing share ownership, and demanding the inclusion of his/her name in the list of shareholders not later than 10 days before the date of the meeting.

Voting Securities and Principal Holders Thereof (continued)

As of March 6, 1981, Canadian Pacific Limited (CPL) was the only person who was known to the Corporation to be the beneficial owner of more than 5% of any class of its voting securities. Information concerning such beneficial ownership by CPL is set forth in the following table:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Shares	Canadian Pacific Limited 910 Peel Street Montreal, Canada H3C 3E4	100,000,000 shares sole voting and investment power	71.05%

CPL is engaged in various transportation activities including the operation, primarily in Canada, of CP Rail. CP Rail is a significant customer of The Algoma Steel Corporation, Limited (Algoma), a 56.77% owned subsidiary of the Corporation, and purchased, at published prices, $42,000,000 of rail and other steel products in 1980. CPL owns significant real estate not used for transportation purposes, the substantial part of which is managed by Marathon Realty Company Limited (Marathon), a wholly-owned subsidiary of the Corporation. Marathon also provides real estate tax services for all of CPL's real estate. Such management and tax services are provided pursuant to an agreement under which CPL paid Marathon $2,000,000 in 1980. Other transactions between CPL and the Corporation's subsidiaries are either insignificant (e.g., CPL employees staying at Canadian Pacific hotels) or transportation and communications services rendered under published tariffs (e.g., the shipping of goods by the Corporation's subsidiaries on CP Rail). In addition, the Corporation and CPL provide each other with certain corporate staff services at cost.

Directors and officers of the Corporation as a group as of March 2, 1981, were the beneficial owners of less than 0.09% of the common shares of the Corporation or of any class of equity securities of CPL (excluding directors' qualifying shares) and were the beneficial owners of less than 0.13% of any class of equity securities of any subsidiary of the Corporation.

Voting Shares as Specified

Shares represented by properly executed proxies in favour of the persons designated in the printed portion of the enclosed form of proxy will be voted or withheld from voting, as specified therein, on any ballot that may be called for and, where the shareholder specifies a choice with respect to any matter to be acted upon, such shares will be voted in accordance with any specification so made. **IN THE ABSENCE OF SUCH SPECIFICATION, SUCH SHARES WILL BE VOTED FOR THE ELECTION OF DIRECTORS, THE APPOINTMENT OF AUDITORS AND THE GRANTING OF AUTHORITY TO THE BOARD OF DIRECTORS TO FIX THE AUDITORS' REMUNERATION.**

Exercise of Discretion by Proxyholders

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting and with respect to other matters which may properly come before the meeting. At the date of this Proxy Statement, the management of the Corporation knows of no such amendments, variations or other matters to come before the meeting.

Election of Directors

The Board of Directors consists of 16 directors. Each director elected will hold office until the next Annual Meeting of Shareholders and until his successor is duly elected. The persons listed below will retire as directors at the forthcoming Annual Meeting of Shareholders on April 30, 1981, and they are eligible and will be nominated for re-election as directors. The management does not contemplate that any of the nominees will be unable to serve as directors but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Information as of March 2, 1981, as to the 16 nominees is as follows:

Election of Directors (continued)

Names of nominees, age, and offices held in the Corporation (For committee memberships and meeting attendance, see footnotes page 7)	Major offices held in significant affiliates	Principal occupation or employment	Director since	Number of shares of the Corporation, its subsidiaries and/or Canadian Pacific Limited beneficially owned	Certain other directorships and relationships required to be reported by the U.S. Securities and Exchange Commission (See footnotes page 7)
M. Norman Anderson, 50	Chairman and Chief Executive Officer and Director — Cominco Ltd.	Chairman and Chief Executive Officer, Cominco Ltd., Vancouver, engaged in mining, metals, chemicals and fertilizers. Mr. Anderson has been Chairman and Chief Executive Officer of Cominco Ltd. since April, 1980. He was President and Chief Operating Officer from 1978 and, prior thereto, since 1977 was Executive Vice-President and Chief Operating Officer of that Company.	1980	828 Common Shares Cominco Ltd.	Director of [3] The Toronto-Dominion Bank
F. S. Burbidge, 62 ①	President and Director — Canadian Pacific Limited; Director — Cominco Ltd. and Soo Line Railroad Company	President, Canadian Pacific Limited, Montreal.	1972	1,657 Common Shares C.P. Enterprises Limited 5,200 Ordinary Shares C.P. Limited 100 Common Shares Cominco Ltd.	Director of [1] Canadian Pacific Limited [1] Soo Line Railroad Company [3] Bank of Montreal
Robert W. Campbell, 58	Chairman of the Board and Chief Executive Officer and Director — PanCanadian Petroleum Limited; Director — Cominco Ltd., Dominion Bridge Company, Limited and Maple Leaf Mills Limited	Chairman of the Board and Chief Executive Officer, PanCanadian Petroleum Limited, Calgary, engaged in exploration, production, transportation, processing and marketing of oil and gas.	1973	418 Common Shares C.P. Enterprises Limited 100 Common Shares Cominco Ltd. 250 Common Shares Dominion Bridge Company, Limited 3,440 Common Shares PanCanadian Petroleum Limited	Nil
Thomas M. Galt, 59 ④	Nil	Chairman and Chief Executive Officer, Sun Life Assurance Company of Canada, Toronto. Mr. Galt has been Chairman and Chief Executive Officer of Sun Life Assurance Company of Canada since 1978 and, prior thereto, was President and Chief Executive Officer of that Company.	1980	1,012 Common Shares C.P. Enterprises Limited 1,000 Ordinary Shares C.P. Limited	Director of [3] Bank of Montreal

Election of Directors (continued)

Names of nominees, age, and offices held in the Corporation (For committee memberships and meeting attendance, see footnotes page 7)	Major offices held in significant affiliates	Principal occupation or employment	Director since	Number of shares of the Corporation, its subsidiaries and/or Canadian Pacific Limited beneficially owned	Certain other directorships and relationships required to be reported by the U.S. Securities and Exchange Commission (See footnotes page 7)
*John Macnamara, 55	President and Chief Executive Officer and Director — The Algoma Steel Corporation, Limited; Director — Dominion Bridge Company, Limited	President and Chief Executive Officer, The Algoma Steel Corporation, Limited, Sault Ste. Marie, a fully integrated iron and steel production company. Dr. Macnamara has been President and Chief Executive Officer of The Algoma Steel Corporation, Limited since November, 1976 and, prior thereto, was President and Chief Operating Officer of that Company.	1975	418 Common Shares C.P. Enterprises Limited 100 Common Shares Dominion Bridge Company, Limited 250 Common Shares PanCanadian Petroleum Limited 6,000 Common Shares The Algoma Steel Corporation, Limited, (includes 24 shares owned by Dr. Macnamara's spouse, as to which he claims beneficial ownership) 10,000 8% cumulative redeemable tax deferred preference shares series A, The Algoma Steel Corporation, Limited	Nil
Angus A. MacNaughton, 49 ②	Nil	Vice Chairman and Chief Executive Officer, Genstar Limited, San Francisco, engaged in diversified industrial operations. Mr. MacNaughton has been Vice Chairman and Chief Executive Officer of Genstar Limited since April, 1976 and, prior thereto, was President of that Company.	1975	3,000 Common Shares C.P. Enterprises Limited (includes 1,000 shares owned by Mr. MacNaughton's spouse, as to which he disclaims beneficial ownership) 1,000 Common Shares Cominco Ltd. 3,000 Common Shares PanCanadian Petroleum Limited	Director of [1] Genstar Limited
W. Earle McLaughlin, 65 ① ② ③ ④	Director — Canadian Pacific Limited and The Algoma Steel Corporation, Limited	Corporate Director, Montreal. Mr. McLaughlin was Chairman of the Board of The Royal Bank of Canada from January, 1979 to September, 1980 and, prior thereto, was Chairman and Chief Executive Officer of that Bank.	1979	13,852 Common Shares C.P. Enterprises Limited 5,000 Ordinary Shares C.P. Limited 240 Common Shares The Algoma Steel Corporation, Limited	Director of [1] Canadian Pacific Limited [1] General Motors Corporation [1] Genstar Limited [1] Standard Brands Incorporated [3] The Royal Bank of Canada

Election of Directors (continued)

Names of nominees, age, and offices held in the Corporation (For committee memberships and meeting attendance, see footnotes page 7)	Major offices held in significant affiliates	Principal occupation or employment	Director since	Number of shares of the Corporation, its subsidiaries and/or Canadian Pacific Limited beneficially owned	Certain other directorships and relationships required to be reported by the U.S. Securities and Exchange Commission (See footnotes page 7)
Paul A. Nepveu, 64 Vice-Chairman ①	Director — Cominco Ltd., Great Lakes Forest Products Limited, PanCanadian Petroleum Limited and The Algoma Steel Corporation, Limited	Vice-Chairman, Canadian Pacific Enterprises Limited, Montreal. Mr. Nepveu has been Vice-Chairman of the Corporation since April, 1979 and, prior thereto, was Vice-President Finance and Accounting, Canadian Pacific Limited.	1979	1,932 Common Shares C.P. Enterprises Limited 250 Ordinary Shares C.P. Limited 100 Common Shares Cominco Ltd. 500 $2.00 Tax Deferred Exchangeable Pfd. Shares Series A, Cominco Ltd. 125 Common Shares Great Lakes Forest Products Limited 100 Common Shares PanCanadian Petroleum Limited 120 Common Shares The Algoma Steel Corporation, Limited	Nil
S. E. Nixon, 68 ① ② ③	Director — Cominco Ltd.	Corporate Director, Montreal.	1962	5,463 Common Shares C.P. Enterprises Limited 100 Common Shares Cominco Ltd. 200 Common Shares PanCanadian Petroleum Limited	Nil
*Paul L. Paré, 58 ① ③ ④	Director — Canadian Pacific Limited	Chairman and Chief Executive Officer, Imasco Limited, Montreal, a parent operating company with tobacco, food and retail divisions. Mr. Paré has been Chairman and Chief Executive Officer of Imasco Limited since July, 1979 and, prior thereto, was President and Chief Executive Officer of that Company.	1974	10,000 Common Shares C.P. Enterprises Limited 5,000 Ordinary Shares C.P. Limited	Director of [1] Canadian Pacific Limited [2] Canadian Fund Inc. [3] The Royal Bank of Canada
Neil F. Phillips, Q.C., 56 ②	Nil	Partner, Law Firm of Phillips & Vineberg, Montreal.	1977	3,805 Common Shares C.P. Enterprises Limited 1,000 Common Shares Cominco Ltd.	Director of [1] Aquitaine Company of Canada Ltd. [3] The Royal Bank of Canada Partner of [4] Phillips & Vineberg

Election of Directors (continued)

Names of nominees, age, and offices held in the Corporation (For committee memberships and meeting attendance, see footnotes page 7)	Major offices held in significant affiliates	Principal occupation or employment	Director since	Number of shares of the Corporation, its subsidiaries and/or Canadian Pacific Limited beneficially owned	Certain other directorships and relationships required to be reported by the U.S. Securities and Exchange Commission (See footnotes page 7)
C. Douglas Reekie, 56 ① ③	Nil	President and Chief Executive Officer, CAE Industries Ltd., Toronto, a holding and management company.	1979	400 Common Shares C.P. Enterprises Limited 2,000 8% Preferred Shares Cominco Ltd.	Nil
Ian D. Sinclair, 67 Chairman and Chief Executive Officer ① ③	Chairman and Chief Executive Officer and Director — Canadian Pacific Limited; Vice-President and Director — Cominco Ltd. and PanCanadian Petroleum Limited; Director — Dominion Bridge Company, Limited, Great Lakes Forest Products Limited and Soo Line Railroad Company	Chairman and Chief Executive Officer, Canadian Pacific Limited, Montreal.	1962	61,000 Common Shares C.P. Enterprises Limited 7,625 Ordinary Shares C.P. Limited 1,000 Pfd. Shares Series A C.P. Limited 100 Common Shares Cominco Ltd. 1,000 Common Shares Dominion Bridge Company, Limited 500 Common Shares Great Lakes Forest Products Limited 500 Common Shares PanCanadian Petroleum Limited	Director of [1] Canadian Pacific Limited [1] The Seagram Company Ltd. [1] Soo Line Railroad Company [1] Union Carbide Corporation [2] Canadian Fund Inc. Director and Vice-President of [3] The Royal Bank of Canada
*R. D. Southern, 50	Nil	President and Chief Executive Officer, ATCO Ltd., Calgary, engaged in manufacturing.	1974	9,000 Common Shares C.P. Enterprises Limited (includes 7,000 shares owned by Southco Customs Brokers Limited in which Mr. Southern owns 60% of the equity shares)	Nil
W. J. Stenason, 50 President	Director — Cominco Ltd., Dominion Bridge Company, Limited, Great Lakes Forest Products Limited, Maple Leaf Mills Limited, PanCanadian Petroleum Limited, Steep Rock Iron Mines Limited and The Algoma Steel Corporation, Limited	President, Canadian Pacific Enterprises Limited, Montreal. Mr. Stenason has been President of the Corporation since April, 1979 and, prior thereto, was Executive Vice-President of the Corporation.	1974	4,442 Common Shares C.P. Enterprises Limited 1,750 Ordinary Shares C.P. Limited 755 Common Shares Cominco Ltd. 2,500 Common Shares Dominion Bridge Company, Limited 1,250 Common Shares Great Lakes Forest Products Limited 300 Common Shares PanCanadian Petroleum Limited 1,000 Common Shares Steep Rock Iron Mines Limited 1,200 Common Shares The Algoma Steel Corporation, Limited	Nil

Election of Directors (continued)

Names of nominees, age, and offices held in the Corporation (For committee memberships and meeting attendance, see footnotes below)	Major offices held in significant affiliates	Principal occupation or employment	Director since	Number of shares of the Corporation, its subsidiaries and/or Canadian Pacific Limited beneficially owned	Certain other directorships and relationships required to be reported by the U.S. Securities and Exchange Commission (See footnotes below)
*W. Maurice Young, 57	Nil	Chairman of the Board and Chief Executive Officer, Finning Tractor and Equipment Company Limited, Vancouver, engaged in sales and servicing of heavy earth moving equipment.	1980	500 Ordinary Shares C.P. Limited (owned by Pinecrest Industries Ltd. in which Mr. & Mrs. Young jointly own 60% of the voting shares)	Director of [1] Consolidated Freightways, Inc. [1] Northern Telecom Limited [1] Safeway Stores, Inc. [3] The Toronto-Dominion Bank

Footnotes

Committee members are identified in the above column as follows	Committee	Number of meetings in 1980
①	Executive	4
②	Audit	3
③	Nominating	1
④	Compensation	1

The Board of Directors held 12 meetings in 1980.

*attended fewer than 75% of Board and Committee meetings on which he served

[1] Subject to requirements of Sections 12 or 15 (d) of the United States Securities Exchange Act of 1934.
[2] Registered as an investment company under the United States Investment Company Act of 1940.
[3] To which the Corporation and its subsidiaries were indebted during 1980 in excess of $5,000,000.
[4] Law firm which the Corporation has retained in the last two full fiscal years.

Interest of Management and Others in Certain Transactions

Mr. Sinclair is a Vice-President and director and Messrs. McLaughlin, Paré and Phillips are directors of The Royal Bank of Canada; Messrs. Burbidge and Galt are directors of the Bank of Montreal and Messrs. Anderson and Young are directors of The Toronto-Dominion Bank. The Corporation and its subsidiaries in the normal course of business have banking relationships with certain of these institutions. At December 31, 1980, outstanding borrowings of the Corporation and its subsidiaries aggregated approximately $324,000,000 from The Royal Bank of Canada; $340,000,000 from the Bank of Montreal and $45,000,000 from The Toronto-Dominion Bank. Interest rates on these borrowings varied from 5.8125% to 22.125% at December 31, 1980.

Mr. Galt is Chairman and Chief Executive Officer of Sun Life Assurance Company of Canada. On December 31, 1980, a subsidiary of the Corporation had mortgages outstanding with Sun Life amounting to approximately $18,000,000 which had arisen in the ordinary course of business.

Other Information

The Board of Directors has a number of Committees including the Audit Committee, the Nominating Committee and the Compensation Committee.

The Audit Committee reviews the scope of the auditors' examinations and financial reporting. It meets with appropriate management financial personnel, internal auditors and independent shareholder auditors in connection with these reviews. This Committee recommends to the Board the name of the shareholder auditors, subject to appointment by the shareholders at the Annual Meeting, to serve as auditors for the following year in examining the accounts of the Corporation. The shareholder auditors meet alone with the Audit Committee and have free access to the Committee at any time.

The Nominating Committee considers and recommends the slate of candidates to the Board as nominees for election at the Annual Meeting or to fill any vacancy occurring on the Board of Directors, or any Committee thereof, however caused. The Committee will consider nominees recommended by shareholders and such recommendations may be forwarded to the General Manager, Administration and Corporate Secretary at the address shown for the registered office of the Corporation appearing on the front page of this Proxy Statement.

The Compensation Committee considers and recommends to the Board the level of fees to be paid to directors and members of the Committees of the Board; the levels of salaries to be paid to senior officers and compensation or other such plans in which directors or senior officers are or may be eligible to participate. It also monitors benefits under compensation or other such plans and deals with other matters as directed by the Board from time to time.

Meetings of the Board of Directors are normally held quarterly and immediately prior to and following the Annual Meeting.

Management Remuneration

The following table shows all remuneration paid in 1980 (or to be paid in respect of 1980) by the Corporation and its subsidiaries to each of the five most highly compensated executive officers or directors of the Corporation and to all officers and directors as a group, in accordance with U.S. Securities and Exchange Commission requirements:

Management Remuneration (continued)

Name of Individual (or Number of Persons in Group) and Capacities in Which Served	Cash and Cash Equivalent Forms of Remuneration: Salaries, Fees, Directors' Fees, Commissions and Bonuses	Securities or property, insurance benefits or reimbursement and personal benefits
Ian D. Sinclair Chairman and Chief Executive Officer of the Corporation and director of certain subsidiaries	$ 567,492 (1)	$ 1,209
John Macnamara (2) President and Chief Executive Officer, Algoma and director of certain subsidiaries	342,202	1,714
Paul A. Nepveu Vice-Chairman of the Corporation and director of certain subsidiaries	279,156	1,135
W. J. Stenason President of the Corporation and director of certain subsidiaries	273,402	889
Robert W. Campbell Chairman of the Board and Chief Executive Officer, PanCanadian Petroleum Limited and director of certain subsidiaries	234,400	11,980
All directors and officers as a group (including 5 named: 23)	2,316,120	18,554

(1) Includes remuneration received from CPL and its subsidiaries, including the Corporation and its subsidiaries, for services in all capacities.

(2) In addition to the amounts shown above, Algoma had accrued at December 31, 1980, $366,000 in respect of Algoma's Extra Compensation Plan which is payable in the future on the retirement or termination of employment or death during employment of John Macnamara. In the event of early retirement, the amount is reduced by 3% per year for each year remaining until age 65.

Messrs. Sinclair and Nepveu participate in the CPL Pension Plan and Mr. Stenason participates in the Subsidiary Companies Pension Plan, each of which is a contributory defined benefit plan pursuant to which pensions are paid to eligible officers and employees of CPL and its subsidiaries at retirement based on pensionable earnings during the last 5 years prior to retirement or any other consecutive 5 calendar years selected by the retiree. Normal retirement age is 65, and pensionable earnings consist of wages or salary. Pensionable earnings for Messrs. Nepveu and Stenason during 1980 were $165,000 and $132,000, respectively. Pensionable service at December 31, 1980, was 35 and 30 years, respectively.

The following table illustrates the approximate pension benefits payable at normal retirement age under the pension plans in which Messrs. Nepveu and Stenason participate:

Messrs. Nepveu and Stenason:

Average Annual Pensionable Earnings	Years of Pensionable Service: 15	20	30	35
$125,000	$36,400	$48,900	$ 73,900	$ 86,400
150,000	43,900	58,900	88,900	103,900
175,000	51,400	68,900	103,900	121,400
200,000	58,900	78,900	118,900	138,900

Mr. Sinclair's pension became fixed at $203,929 per year upon his reaching normal retirement age in 1978.

Officers and certain management and supervisory employees of CPL and the Corporation who defer their retirement beyond age 65 at the request of CPL or the Corporation and who retire following July 1,

Management Remuneration (continued)

1980, will be paid monthly, upon retirement, a supplementary allowance of 1% of his/her monthly basic pension entitlement multiplied by the number of months such employee defers his/her retirement beyond age 65. Mr. Sinclair is the only person among the above group of 23 directors and officers who is currently accruing supplementary allowance under that policy. As of December 31, 1980, an accrual of $48,943 of annual supplementary allowance has been credited based upon 24 months of work performed at the request of CPL beyond normal retirement age.

Dr. Macnamara participates in the Algoma Pension Plan, which is a non-contributory defined benefit plan pursuant to which pensions are paid to eligible officers and employees at retirement, based on pensionable earnings during the best 5 years prior to retirement. Normal retirement age is 65, and pensionable earnings consist of salary, vacation premium, conversion and bonus. Pensionable earnings for Dr. Macnamara during 1980 were $302,000, and at December 31, 1980 he had completed 29 years of pensionable service. The following table illustrates approximate pension benefits payable at normal retirement age under the Algoma Pension Plan:

John Macnamara: Average Annual Pensionable Earnings	Years of Pensionable Service			
	15	20	30	40
$300,000	$76,900	$102,600	$153,900	$205,200
325,000	83,400	111,100	166,700	222,300
350,000	89,800	119,700	179,500	239,400
375,000	96,200	128,300	192,400	256,500

Dr. Macnamara also participates, with other executive officers of Algoma, in a supplemental retirement plan pursuant to which participants who have completed 25 years of pensionable service at age 62 will receive a pension at retirement which is the greater of 65% of their pensionable earnings during the best 5 years prior to retirement or the amount payable under the regular pension plan.

Mr. Campbell participates in the pension plan of PanCanadian Petroleum Limited, an 87.1% owned subsidiary of the Corporation. It is a contributory defined benefit plan pursuant to which pensions are paid to eligible officers and employees at retirement, based on pensionable earnings during the last 5 years prior to retirement. Normal retirement age is 65, and pensionable earnings consist of salary or wages. Pensionable earnings for Mr. Campbell during 1980 were $170,000, and at December 31, 1980, he had completed 9 years of pensionable service. The following table illustrates approximate pension benefits payable at normal retirement age under the PanCanadian pension plan:

Robert W. Campbell: Average Annual Pensionable Earnings	Years of Pensionable Service			
	5	10	15	20
$150,000	$14,600	$29,300	$43,900	$58,600
175,000	17,100	34,300	51,400	68,600
200,000	19,600	39,300	58,900	78,600
225,000	22,100	44,300	66,400	88,600

Pursuant to a supplemental agreement between Mr. Campbell and PanCanadian, Mr. Campbell is to receive a total pension from PanCanadian and a previous employer equal to one-half of his average annual earnings during the last 5 years prior to retirement.

No director who is also a salaried officer of the Corporation is entitled to any remuneration for the performance of his duties as a director. For the calendar year 1980, the Board authorized a basic retainer of $5,000 to each director, an additional retainer of $3,500 for each member of the Executive Committee and an additional retainer of $1,000 for the Chairman of the Audit Committee, a fee of $400 for each director for each meeting of the Board attended, a fee of $300 for each member for each meeting of the Executive Committee, Audit Committee, Compensation Committee, and Nominating Committee attended and a fee of $500 for each meeting of the Management Resources Committee attended. The Board may award special remuneration to any director undertaking any service on behalf of the Corporation outside the duties ordinarily required of a director by the Corporation.

Management Remuneration (continued)

The following statement shows the directors' and officers' remuneration from the Corporation and its subsidiaries as required by sub-paragraph 35(t)(v) of the Canada Business Corporations Act Regulations:

	Nature of Remuneration Earned					
	Directors' Fees	Salaries	Bonuses	Non-accountable expense allowance	Other	Total
Remuneration of Directors	$	$	$	$	$	$
(A) Number of directors: 19						
(B) Body Corporate incurring the expense:						
Canadian Pacific Enterprises Limited	147,910					147,910
The Algoma Steel Corporation, Limited	44,350					44,350
Cominco Ltd.	59,302					59,302
Cominco American Incorporated	1,519					1,519
Pine Point Mines Limited	1,585					1,585
Vestgron Mines Limited	1,750					1,750
West Kootenay Power and Light Company, Limited	437					437
Dominion Bridge Company, Limited	34,225					34,225
AMCA International Corporation Limited	27,150					27,150
Span Holdings Limited	6,700					6,700
Span International Corporation Limited	6,700					6,700
Maple Leaf Mills Limited	2,550					2,550
Great Lakes Forest Products Limited	18,701					18,701
PanCanadian Petroleum Limited	25,500					25,500
Steep Rock Iron Mines Limited	12,400					12,400
Midland Simcoe Elevator Company, Limited	650					650
Remuneration of Officers						
(A) Number of officers: 7						
(B) Body Corporate incurring the expense:						
Canadian Pacific Enterprises Limited		621,473	187,607			809,080
Steep Rock Iron Mines Limited		1,800				1,800
Totals	$391,429	$623,273	$187,607	$ NIL	$ NIL	$1,202,309

Management Remuneration (continued)

The estimated aggregate cost to the Corporation and its subsidiaries in 1980 of all benefits proposed to be paid under any pension or retirement plan upon retirement at normal retirement age to the persons mentioned in the foregoing table was $109,349.

Under the Corporation's Variable Compensation Payments Plan, the Compensation Committee of the Board of Directors fixes, annually, an amount which designated executives may receive as additional compensation. This amount ranges generally from 12½% to 30% of annual base salary. The award entitlement in each year, payable in cash in the subsequent year, is based on the Corporation's planned net income being attained. If the planned net income is exceeded, the payments may be increased by an amount up to 50% of the original percentage fixed. Amounts paid in 1981 with respect to performance in 1980 are included in each of the remuneration tables.

Cominco Ltd. Executive Stock Option Plan

Cominco Ltd. has reserved from Treasury 200,000 of its common shares for stock option plans in favour of certain executives in the full time employment of Cominco or a subsidiary. On May 1, 1980, options were granted to officers and directors of the Corporation as a group (but not to any of the officers named in the table on page 9) to acquire 3,500 common shares of Cominco during a 5 year period following May 1, 1981, at a price of $52.31 per share. The price range in the 30 days preceding the date of the granting of the option was $52.00 to $62.00 per common share and, on May 1, 1980, was $56.875. At the end of 1980, directors and officers of the Corporation, as a group, held options to purchase an additional 3,000 common shares pursuant to an option granted May 1, 1979. The price per share is $32.40. The price range in the 30 days preceding the date of the granting of the option was $35.50 to $38.375 per common share and, on May 1, 1979, was $36.125. These shares can be acquired for a 5 year period commencing May 1, 1980. None of the foregoing options was exercised in 1980 and, therefore, Cominco received no proceeds therefrom. As at December 31, 1980, the unrealized value of all such options then held by officers and directors of the Corporation as a group on that date amounted to $182,840.

Directors and Officers Liability Insurance

The Corporation participates in a directors and officers liability insurance policy acquired by Canadian Pacific Limited in 1979 on its own behalf and on behalf of participating subsidiaries. The policy is for an initial term of 3 years with a coverage limit of $75,000,000 in each policy year. The annual premium paid by the Corporation in 1980 in respect of its officers and directors as a group was $72,880. The policy provides for the Corporation to absorb a deductible amount of $150,000 on each loss, plus a 5% retention on the first $1,000,000 of coverage.

Appointment of Auditors

Price Waterhouse & Co. have served as auditors of the Corporation since January 31, 1964 and will be nominated for reappointment to the office of auditors of the Corporation for a term expiring at the close of the next Annual Meeting of Shareholders to be held in 1982 at a remuneration to be fixed by the Board of Directors.

Price Waterhouse & Co., independent public accountants, have, during 1980, rendered non-audit services the fees for which amounted to 70% of the audit fees paid to that firm. These services, and the fees therefor expressed as a percentage of audit fees, comprised accounting and tax services in respect of acquisitions 44%; preparation of tax filings and rendering of tax advice 12%; development of mechanized systems, organization reviews and other consulting services 8%; and recruitment of personnel 6%. The Audit Committee of the Board of Directors reviewed those services rendered to the Corporation at a meeting held March 5, 1981, but the services and their possible effect on the independence of the auditors

Appointment of Auditors (continued)

were not considered by the Audit Committee or by the Board of Directors prior to the rendering of such services.

Representatives of Price Waterhouse & Co. are expected to be present at the meeting with the opportunity to make a statement if they so desire and to respond to appropriate questions.

Exchange

All dollar amounts recorded in this Proxy Statement are expressed in Canadian dollars. The exchange rate between the Canadian dollar and the U.S. dollar is not fixed. During 1980 the high and low spot rates of exchange were $1.2122 Canadian equals $1 U.S. and $1.1406 Canadian equals $1 U.S., respectively.

Shareholder Proposals

Any shareholder proposals to be included in the Proxy Statement to be issued in respect of the 1982 Annual Meeting of Shareholders must be received by the Secretary of the Corporation by January 29, 1982.

A COPY OF THE CORPORATION'S FORM 10-K FILED WITH THE SECURITIES AND EXCHANGE COMMISSION WILL BE PROVIDED WITHOUT CHARGE ON WRITTEN APPLICATION TO THE GENERAL MANAGER, ADMINISTRATION AND CORPORATE SECRETARY AT THE ADDRESS SHOWN FOR THE REGISTERED OFFICE OF THE CORPORATION APPEARING ON THE FRONT PAGE OF THIS PROXY STATEMENT.

The contents and the sending of this Proxy Statement have been approved by the directors of the Corporation.

G. S. MacLean,
General Manager, Administration
and Corporate Secretary.

Dated at Montreal, Quebec, Canada, as of March 6, 1981.

Legal Deposit — 1st Quarter 1981.

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